THIRTEENTH PARLIAMENT OF SINGAPORE

First Session

REPORT OF THE ESTIMATES COMMITTEE

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ESTIMATES COMMITTEE

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REPORT OF THE ESTIMATES COMMITTEE

The Estimates Committee, appointed in pursuance of Standing Order No. 100 (3), had agreed to the following Report:

1 The Estimates Committee considered the Budget for the Financial Year (FY) 2016/2017 (Paper Cmd. 2 of 2016) and enquired into certain matters, including Government schemes and budget sustainability, ease of access to Government Schemes, budget mechanisms to encourage prudence and savings, new Government schemes, infrastructure projects and Public Private Partnerships, accuracy of budget forecasts, financing of Statutory Boards (SBs) and developments in the public transport system.

2 In the course of its enquiry, the Committee received two memoranda from the Ministry of Finance (MOF) on 9 September 2016 and 21 October 2016. On 5 July 2016 and 22 November 2016, the Committee also heard evidence from the Permanent Secretaries and officials from the Ministry of Finance (MOF).

GOVERNMENT SCHEMES AND BUDGET SUSTAINABILITY

3 The Committee noted that there had been an increase in the number of Government schemes, grants and subsidies in the last 10 years such as the Silver Support Scheme and SkillsFuture. As such, the Committee enquired about permanent regular Government schemes with annual recurring expenditures which resulted in structural transfers[1] to Singaporean households. The Committee queried about the past expenditures on these schemes and the expected growth in expenditures for these schemes.

4 MOF shared with the Committee the past five years' expenditure for the top five structural transfers to households in Table 1. MOF informed the Committee that disbursements from these structural transfers in 2015 were more than two times that in 2006, growing at a rate of 9.1 % annually on average. The five structural transfers were of two categories:

[1] Structural transfers are permanent programmes with annual recurring expenditures, which can be funded from various sources including ministries' block budgets (e.g. MediShield Life, Silver Support Scheme) or through established funds (e.g. new initiatives under SkillsFuture, which were funded through a top-up to the National Productivity Fund).

(a) Subsidies for public services such as education subsidies, inpatient subsides at hospitals, and Specialist Outpatient Clinic (SOC) subsidies; and

(b) Direct transfers to citizens under schemes such as GST Voucher (GSTV) and Workfare Income Supplement (WIS).

Table 1 – Total Disbursement to Households from Top Five Structural Transfers[2] (as of 2015)

Year	Expenditure ($ billion)	Remarks
2015	12.3	Based on education subsidies, inpatient healthcare subsidies, GSTV, WIS and SOC subsidies.
2014	11.3	
2013	10.7	
2012	9.9	

Source: MOF

5 MOF explained that expected growth in expenditure for these schemes would vary depending on a range of factors besides the typical key expenditure drivers such as ageing, population growth and inflation. MOF also informed the Committee that certain social expenditures, resulting from the Government schemes, could be expected to rise in future with an ageing population. There may also be factors which could affect growth in expenditure for specific schemes. For instance, in education, some of the cost drivers would include improvements in the quality of education, levelling up of opportunities and increases in the cohort participation rate. In healthcare, other than demographics, factors that would affect costs would include a changing disease mix, utilisation of new drugs and technologies, patient expectations of care, and manpower costs. MOF added that as the Government periodically reviewed its schemes to meet the needs of Singapore and Singaporeans, the pace and nature of policy changes would also affect the projections.

Funding for Structural Transfers

6 The Committee took note of the increased expenditures for structural transfers to households and the expectation that social expenditure would likely increase especially with an ageing population. The Committee expressed its concern on the sustainability of future budgets in the long run and whether this would then impose a growing tax burden on future generations.

[2] Based on transfers received by resident households, which are households headed by a Singapore Citizen or Permanent Resident.

7 MOF assured the Committee that it had anticipated rising expenditure needs and had taken steps to ensure sustainable budgets in the long run. For instance, in Budget 2015, revenue measures were introduced which included the increase in top marginal rates for personal income tax from Year of Assessment 2017, and the inclusion of Temasek Holdings in the Government's Net Investment Returns (NIR) framework from Budget 2016 onwards. In earlier years, changes were also introduced to make property tax rates more progressive, with increased tax rates for higher value residential properties.

8 MOF further assured the Committee that the Government would continue to review both expenditure and revenue to ensure fiscal sustainability. On the expenditure front, the principles of prudence and value-for-money would continue to be emphasised in Government spending. For instance, social support schemes would continue to provide targeted and means-tested support only to those in need. MOF stressed that even as the Government enhanced the social security system, there remained the need to maintain a balance between personal and collective responsibility. On the revenue front, a healthy and growing economy would remain crucial to ensuring a healthy revenue stream. MOF was confident the recommendations of the Committee on the Future Economy (CFE) would help grow the economy, create jobs for our people and grow our revenues sustainably.

9 The Committee took note of the measures taken to ensure the sustainability of future budgets. Nevertheless, given the current tough investment environment with modest growth prospects, the Committee expressed concern that the NIR framework would deliver lower returns than in previous periods which would impact Government's budget.

10 MOF explained that the NIR framework was based on the expected long-term real rates of return on the reserves invested by GIC, Temasek Holdings, and the Monetary Authority of Singapore. The expected long-term rates are used because the NIR framework seeks to smooth out budgetary spending across market cycles so as not to overspend when markets are bullish, or face shortage of resources during a market downturn. MOF informed the Committee that the investment entities and the Government regularly studied the possible scenarios for the long-term investment environment. In addition, the Government would continually review both revenues and expenditures to ensure budget sustainability.

11 MOF also assured the Committee that to ensure sustainability, the Government would remain prudent in its spending, emphasise the value-for-money principle in every programme

and aim to transform the delivery of Government services so as to be more productive and innovative in achieving better outcomes. Secondly, although the Net Investment Returns Contribution (NIRC) was a sizeable revenue item, Government's operating revenues (comprising tax revenues as well as fees and charges) continued to serve as the primary source of revenues, accounting for slightly over 80% of total revenues. MOF assured the Committee that it would continue to build a revenue structure that allowed Singapore to meet important spending needs, while maintaining Singapore's economic competitiveness as well as keeping the overall system of taxes and benefits progressive and fair. Thirdly and most fundamentally, MOF reiterated that sustainable Government finances depended on Singapore having a healthy and growing economy. Alongside the recommendations of the CFE, the results from the Industry Transformation Programme that the Government had embarked on would also help to grow Singapore's economy.

Net Transfers to Singaporean Households

12 With the increased expenditures for structural transfers to households, the Committee asked whether the transfers were reaching Singaporeans in need.

13 MOF shared that in 2015, net transfers[3] (as a percentage of household income) to Singaporean households were positive for the 2nd to 7th deciles and negative for the 8th to 10th deciles[4] as shown in Chart 2. This showed that the taxes and transfer system were progressive, where those who were better off contributed more and those in need received more benefits than the taxes they paid. MOF informed the Committee that the progressive distribution of net transfers was expected to remain broadly similar in future years, in line with the Government's consistent approach towards building a progressive system of taxes and transfers, and providing assistance to households in need.

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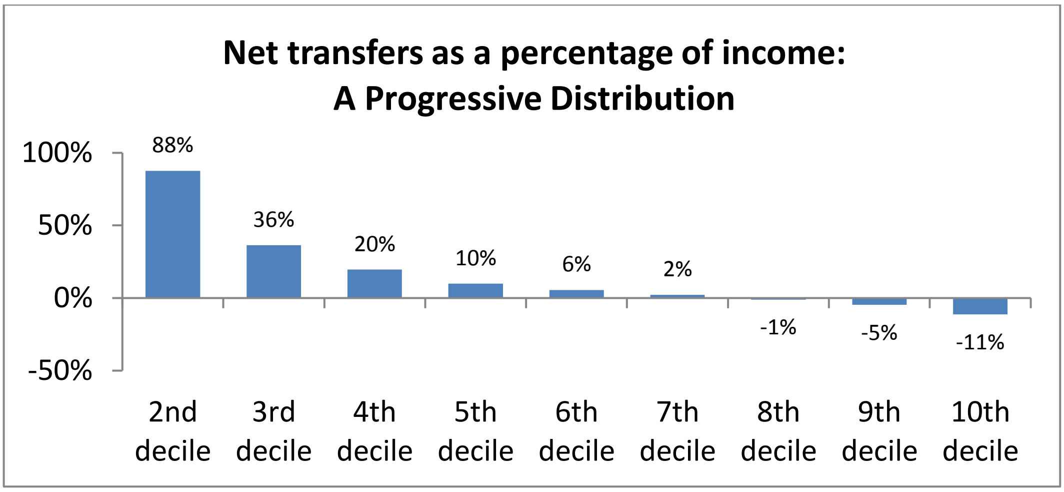
[3] Net transfers comprise Government transfers to Singaporean households, net of all taxes paid. The deciles are ranked by household income from work (including employer CPF contributions) per household member.

[4] Net transfers as a percentage of household income cannot be computed for 1st decile households where the average income is zero. In 2015, about 70% of households in the 1st decile are retiree households that comprise solely of non-working persons aged 60 and above. Although many households in the first decile are no longer earning an income, they are not necessarily poor. 16% live in private properties, 13% in HDB 5-room and Executive flats, 14% own cars, and 8% employ a maid.

Chart 2 –Transfers (net of taxes) to Singaporean households, 2015



Source: MOF estimates.

Observations and Recommendations

14 The Committee expressed its support for the overall system of taxes and benefits to be progressive and fair. The Committee also agreed with MOF that taken together, the increase in structural transfers had strengthened Singapore's overall transfers system and provided greater assurance of sustained support in the areas of education, healthcare, and employment.

15 The Committee acknowledged MOF's efforts to monitor and ensure the sustainability of the Government budget. However, the Committee noted that once transfers, subsidies and grants were made available, there were expectations from the public that these would not be reduced or removed. Therefore, the Committee urged MOF to continually ensure that Government expenditures would continue to remain sustainable in the future without imposing undue tax burden on Singaporeans.

EASE OF ACCESS TO GOVERNMENT SCHEMES

16 The Committee took note of the efforts by the Government to achieve a progressive distribution of net transfers as shown in Chart 2 and enquired whether the Government would consider compiling and publishing the data on net transfers in more details such as transfer amounts according to life-stages or age groups and to share such information with Singaporeans.

17 MOF updated the Committee that the Government regularly published data on household income and total transfers received by households for public reference. The Key Household Income Trends (KHIT) paper released by the Department of Statistics (DOS) would report the income and Government transfers received by resident households, with statistical breakdown by housing type and other characteristics such as households with no working persons (including retiree households). MOF thought that further breaking down the net transfers in more detail would not be meaningful for the public as net transfer amounts were averaged across households in each income decile and not reflective of the actual transfers received by each household. MOF shared that where appropriate, the Budget Statement and Budget Round-up Speech had also highlighted the overall impact of the social transfers for Singaporean households. An example was the Budget Round-up Speech in 2014, which showed that lower income Singaporean households received more in benefits than they paid out in taxes.

18 In view of the different grants, subsidies and schemes offered by different agencies across the Government, the Committee further enquired whether MOF would consider having one single point of reference, similar to the SME Portal for Singapore SMEs, to further assist in the delivery of services and to increase public awareness so as to help Singaporeans better understand the different schemes.

19 MOF informed the Committee that there were existing portals which provided information targeted towards the needs of different groups of citizens, with different profiles and concerns. For instance, the Ministry of Social and Family Development would publish information for the low-income/needy and disabled, the National Population and Talent Division would provide parenthood-related information, and the Agency for Integrated Care would offer information for seniors via the Singapore Silver Pages. This targeted approach allowed agencies to offer information tailored to the needs of particular segments of the public.

20 Acknowledging the importance of continuing to improve the delivery of social services and communication of schemes, particularly to groups such as low-income citizens and seniors who required more help to understand the schemes, MOF said it would work with agencies such as the Social Service Offices, the Pioneer Generation Office, the Ministry of Communications and Information and the People’s Association, to reach the target groups with relevant and customised information.

21 MOF also briefed the Committee on MyInfo, a personal data platform jointly developed by MOF and the Government Technology Agency (GovTech). Launched on 5 May 2016, MyInfo allows individuals to manage their personal data and pre-fill online forms in government digital services. With the use of MyInfo, agencies can improve service delivery by eliminating the need for citizens to provide data to the government repeatedly, and eventually doing away with the collection of verification documents.

22 In addition, MOF was looking into a "Moments of Life" approach, to deliver better integrated and user-centric digital services, by studying and organizing them around key moments when an individual or business needed to transact with government.

Observations and Recommendations

23 The Committee recognised the good work by MOF and other Government agencies in reaching out to the public for the different Government schemes and social services. Currently, the various schemes and services are administered by different Government agencies and thus, requires Singaporeans to accurately identify which agency to approach for relevant assistance. The Committee supported the new initiative by MOF to develop a “Moments of Life” system to list the schemes and services offered by Government agencies that could be extended to Singaporeans at different stages of their lives and that would link them to the relevant Government agencies.

24 The Committee also commended the creation of MyInfo. The Committee would like to suggest a whole-of-government (WOG) approach for further outreach and public awareness for the MyInfo portal in all Government websites and communication platforms to encourage Singaporeans to make use of the MyInfo portal and create their MyInfo profile.

BUDGET MECHANISMS TO ENCOURAGE PRUDENCE AND SAVINGS

25 The Committee noted that one of the measures to ensure sustainability of Government’s finances was to ensure that there was control and oversight over Ministries’ budgets and expenditures. In this regard, the Committee asked MOF about the measures in place to encourage prudent use of public funds and to maintain control over Ministries’ budgets and expenditures. The Committee also enquired how the Government planned for multi-year expenditure commitments and the relation between current year budgeting and multi-year budgeting.

26 MOF shared that it allocated budget across Ministries through block budget via its Block Budget Framework (BBF), supplemented by an administrative Reinvestment Fund (RF).

27 Under the BBF, Ministries would be provided with expenditure caps for a medium term period. Within the block budget expenditures caps, each Ministry would decide how to allocate its budget on specific line items and across years over the period of the block budget. With this approach, Ministries would strive for cost-effectiveness because every dollar optimised would mean more resources available for worthwhile programmes. The BBF provides Ministries with the flexibility to manage their budget within the expenditure caps. For example, Ministries may carry forward or rollover their budgets for use in future financial years.

28 Alongside this general flexibility to decide how to allocate its budget for specific items, Ministries are required to go through an approval process for its development projects. Requests for development project funding are evaluated based on need and worthiness, as well as comparison of costs versus benefits.

29 Furthermore, budgets are allocated to Ministries through a bottom-up analysis of each Ministry's expenditure needs, taking into account factors such as the Ministry's medium term strategies and priorities, past utilisation rates of budget allocated as well as efficiency and effectiveness of the Ministry's programmes.

30 MOF also elaborated on the rules that governed the Ministries' use of funds. These are laid out in the Government's Instruction Manuals and Finance Circulars. For example, Ministries should not disburse grants to SBs beyond what they need and not in advance of delivery of services or project cash outflows from the SBs.

31 As the BBF is medium term in nature, this supports the planning for multi-year expenditure commitments by Ministries and Government. Under this framework, current year budgeting and multi-year budgeting go hand in hand where Ministries under the BBF remain responsible to ensure they deliver results within their respective annual budgets and multi-year block budgets.

32 To supplement the BBF, Ministries may bid via a competitive process annually from the RF administered by MOF. Funds are allocated based on the merits of the proposal, using

criteria such as innovativeness, and how well they support prevailing WOG priorities and reap synergies from cross-agency collaboration.

33 The Committee was informed that the Accountant-General's Department (AGD) conducted 8 to 10 reviews on average each year to assess whether public programmes met their intended policy objectives economically, effectively and efficiently. Such reviews would be conducted in close consultation with MOF and agencies to understand programme outcomes, processes and spending, and covered programmes in a wide range of areas such as infrastructure projects, grant schemes and provision of social services. Findings from these reviews and learning points are shared within the Government.

Cost Savings Initiatives by Ministries

34 Besides budgetary measures, the Committee was interested to know what specific programmes or cost-savings initiatives had been undertaken by Ministries with large budgets to keep expenditures in check.

35 MOF informed the Committee that over the years, Ministries had embarked on various initiatives to help reap cost savings by implementing productivity and innovative measures, and improving procurement processes. For example, SingHealth's Group Purchasing Office (GPO) allows the purchase of drugs across public healthcare institutions to be consolidated and aggregated, thus achieving economies of scale, operational efficiency and cost savings through increased bargaining power. From FY13 to FY15, the GPO saved a total of $79 million.

36 The Committee also learned that Ministry of Defence (MINDEF) planned for resource optimisation by developing 15-20 year long-term plans and 5-10 year operational and engineering masterplans to guide capability development efforts. MINDEF would review these workplans and budgetary requirements regularly to re-assess and prioritise needs against available resources. Mechanisms to control operational and personnel costs are also in place. For example, the SAF has leveraged unmanned systems and technology to become more effective in operations and enhance capabilities, while reducing the manpower required.

Observations and Recommendations

37 The Committee commended MOF for its budget mechanism to encourage prudence and savings across the Ministries. The Committee also found the RF a good tool to allocate fiscal resources to support WOG synergies and cross-agency collaboration.

38 The Committee was pleased to note that AGD conducted regular reviews to assess public programmes on the intended programme outcomes, processes and spending. This would act as a check over the Ministries' budget and expenditure on public programmes so as to prevent wastage and extravagance and yet deliver desired outcomes.

39 The Committee acknowledged the Ministries' various cost savings initiatives that tapped on productivity and innovative measures. The Committee suggested that MOF monitored the impact of new initiatives to ensure that the Government's ability to deliver goods and services would be enhanced continually through these measures. The Committee further urged the Government to continue pursuing productivity initiatives by leveraging digitalisation and innovative technology in a systemic way such as through setting targets for the percentage of services/processes to be automated and re-engineered.

NEW GOVERNMENT SCHEMES

40 Noting the budget mechanism in place to encourage prudence and savings on delivering public programmes, and yet deliver the desired outcomes, the Committee sought clarifications on how the Ministries planned, budgeted and monitored new initiatives such as the Silver Support Scheme and SkillsFuture to ensure that they achieved the intended objectives.

41 In particular, the Committee noted that the Silver Support Scheme aimed to provide the bottom 20% of Singaporeans aged 65 and above, with a modest but meaningful supplementary income, ranging from $300 to $750 per quarter. This Silver Support supplement is targeted at elderly Singaporeans who earned lower incomes throughout their working lives and who currently have little or no family support. The Committee enquired how the Government ensured that the Scheme reached its intended recipients.

Silver Support Scheme

42 MOF explained that the Silver Support Scheme was the most recent item to supplement Singapore's social security system. Together with Workfare, Silver Support forms the fourth

pillar of the social security system to help mitigate inequalities through life. The other three pillars of the social security system are home ownership, the CPF system and healthcare assurance. MOF explained that this supplement is targeted at those elderly Singaporeans who earned lower incomes throughout their working lives and who have less retirement support. The supplement is not meant to substitute other sources of retirement income support which could come from family support or the seniors' own savings.

43 A key feature of the Silver Support Scheme is that it is administered automatically. This ensures that eligible seniors will not miss out on the Scheme either because they are unaware of the Scheme or face difficulties submitting an application. The Government therefore has to rely on existing administrative data to automatically identify seniors who would require additional retirement support through the Silver Support Scheme.

44 MOF explained that the Ministry of Manpower (MOM) used three key indicators for the eligibility criteria for the Silver Support Scheme. The first criterion is total CPF contributions, which is an indicator of lifetime wages. The second criterion is housing type and property ownership, which is an indicator of one's resources. The third criterion is per capita household income, which is an indicator of one's family support. This set of eligibility criteria reflects the important values of personal and family responsibility. The various factors taken into account when determining eligibility and payout quantum are:

(a) Total CPF contributions made during prime working years till age 55 years, capped at $70,000 – this is because wages were generally low in the early years of Singapore's economic development and the majority of our seniors (about two-thirds) have total CPF contributions of $70,000 or less when they turned 55;

(b) Smaller homes (4-room flats and smaller) with less scope to monetise their assets; and

(c) Lesser family support and lower household income, i.e. household monthly income per person of not more than $1,100.

45 The Committee was informed that the Silver Support Scheme complemented the various forms of Government and community assistance that were already available at present for seniors. These include the GST Voucher, healthcare subsidies for treatment at various healthcare settings including hospitals, specialist outpatient clinics, polyclinics and General Practitioners (GPs), the Pioneer Generation Package and subsidies for Intermediate and Long-

Term Care. For elderly Singaporeans aged 65 and above on the ComCare Long Term Assistance (LTA) Scheme, they will receive a Silver Support payout of $300 per quarter. This is on top of the monthly cash assistance provided by ComCare LTA to cover their daily living expenses, free medical treatment and free or highly subsidised social services if needed. Taken together, the total cash assistance for a single elderly person on ComCare LTA and the Silver Support Scheme is $1,800 per quarter (or $600 a month).

46 MOF also assured the Committee that the Government would continue to regularly review the Silver Support Scheme to ensure that it continued to meet its policy objectives.

SkillsFuture

47 MOF shared that SkillsFuture was launched in November 2014 as a major national movement to provide Singaporeans with the opportunity to develop to their fullest potential throughout life, regardless of their starting points. In support of the SkillsFuture movement and following the announcement of a package of SkillsFuture initiatives during Budget 2015, the Government topped up the National Productivity Fund (NPF) by $1.5 billion in 2015 to support the SkillsFuture movement.

48 The planning, budgeting and monitoring of SkillsFuture initiatives are overseen by the tripartite Council for Skills, Innovation and Productivity (CSIP) and supported by the Productivity Fund Administration Board (PFAB). The CSIP was formed on 20 May 2016 by merging the SkillsFuture Council with the National Productivity Council. The CSIP also has an expanded mandate to drive industry transformation by overseeing implementation of Industry Transformation Maps for key clusters of the economy through skills development, innovation, productivity and internationalisation. To ensure prudent use of the NPF, the PFAB was set up to evaluate proposals that wish to tap on the Fund and to approve payments from the Fund.

49 The Committee was informed that agencies in charge of implementing the SkillsFuture initiatives would be held accountable for the committed KPIs for the approved projects and the cost-effectiveness of their spending. They would also be required to provide regular updates to the CSIP on the implementation and achievements of the KPIs.

50 MOF further informed the Committee that there are four desired thrusts of SkillsFuture which are:

(i) Help individuals to make well-informed choices in education, training and careers;

(ii) Develop an integrated high-quality system of education and training that responds to constantly evolving needs;

(iii) Promote employer recognition based on skills and mastery; and

(iv) Foster a culture that supports and celebrates lifelong learning.

51 As these desired thrusts would take time to reap benefits, MOF assured the Committee that the Government would monitor the related progress indicators to check if the various programmes were on the right track, such as by tracking the number of Singaporeans who used their SkillsFuture Credit.

Observations and Recommendations

52 The Committee noted that the Silver Support Scheme was a modest but meaningful supplement to the retirement incomes of the target group of seniors. The Committee acknowledged the automatic assessment of eligibility for the Silver Support Scheme based on the three criteria which made it easier for eligible seniors to receive assistance without having to submit an application. The Committee also noted that the CPF Board would automatically assess eligibility for the Silver Support Scheme on an annual basis and inform the seniors who were eligible in December of the preceding year. The Committee welcomed these efforts to make it easier for seniors to receive aid through the Silver Support Scheme. Nevertheless, the Committee urged the Government to continuously reach out, convey and articulate the criteria and purpose of the Scheme to the public in a targeted manner such as by providing useful information to inform seniors to approach the CPF Board if they needed to make an appeal regarding their eligibility for the Scheme.

53 In addition, the Committee also urged the Government to take into consideration the variation in CPF contribution rates over the years when reviewing the CPF contribution threshold criterion of $70,000 for the Silver Support Scheme.

54 For SkillsFuture, the Committee noted that it would take some time before the benefits of SkillsFuture could take effect. The Committee urged the Government to regularly monitor and review SkillsFuture, and to make adjustments where necessary to ensure it meets its objectives.

INFRASTRUCTURE PROJECTS AND PUBLIC PRIVATE PARTNERSHIPS (PPP)

55 The Committee noted that in Budget 2016, a sum of about $32 billion was provided to the Government for development expenditures which would be used to fund infrastructure projects. The Committee was interested to know more about measures or guidelines in place for the public agencies to ensure budgetary costs for infrastructure projects were reasonable, and whether infrastructure projects undertaken as Public Private Partnerships (PPP), such as the Sports Hub, had achieved their financial and social objectives, and the key lessons learnt from PPP projects.

Guidelines for Infrastructure Projects

56 MOF shared that since 2014, the Centre of Public Project Management, a department under MOF, had been sharing cost norm information with public agencies for different types of infrastructure projects and construction related services/works, such as building construction cost norms, refurbishment/fit-out cost norms, consultancy fees and supervision costs. This assists public agencies in reviewing budgetary cost estimates for their development proposals.

57 Such cost norm information serves as a guide as the cost of various services/works can vary, depending on many factors such as prevailing market conditions, site conditions, specific requirements for the project and constructability of the design. Public agencies would still be required to undertake the appropriate budget approval process for their infrastructure projects, in which the specific considerations for the project or consultancy service would be reviewed, based on the nature of project and required scope of services/works/effort.

58 In preparing for an infrastructure project tender, public agencies could also refer to the Building and Construction Authority's guidelines for the typical scope, terms and conditions of construction-related services/works, such as for consultancy services. These guidelines would help to ensure that agencies do not stipulate unreasonable requirements which would end up being translated into unnecessarily high fees.

59 When a tender is eventually called by a public agency in charge of a project, the adoption of the principle of open and fair competition in the tendering process helps to ensure that bid prices submitted would meet the value-for-money principle as much as possible. The decision on whom to award the project to is made by a tender board comprising a panel of

senior personnel not involved in the project, so as to ensure independent assessment of bids submitted.

PPPs for Infrastructure Projects

60 MOF shared that to-date, the Government had adopted PPPs for a variety of infrastructure projects. For example, MOE adopted the PPP model for the ITE College West campus. PUB has completed five PPP projects to-date including the SingSpring desalination plant and Keppel-Seghers Ulu Pandan Newater Plant. NEA's Keppel-Seghers Tuas Waste-to-Energy plant is one other example. In the coming years, there will be more of such PPP projects, including a new desalination plant in Marina East and a new Waste-to-Energy (WTE) plant in Tuas.

61 For the Sports Hub, Sports Hub Pte Ltd (SHPL) was contracted to design, build, finance and operate the Sports Hub for 25 years under the PPP arrangement. The key intent of the PPP arrangement, besides managing the risks associated with construction, was to allow the Government to leverage on the expertise and international marketing networks of the private sector to create a mix of sports, lifestyle and community activities at the Sports Hub. This arrangement helped spread the total project cost to Government evenly over the duration of the contract. It also required the private partner to bear the construction and operational risks of the project. For instance, SHPL had to manage at its own cost, the challenges of poor soil conditions during the construction phase, as well as rectify early issues with the National Stadium pitch and roof. At the end of the concession period, SHPL would be required to hand the facilities back to the Government.

62 The Committee was informed that SportSG closely monitored the performance of SHPL to ensure that they remained accountable for the goals of the project and sought to maximise the value of the Sports Hub for Singaporeans. SportSG also helped to facilitate the hosting of sports events at the Sports Hub. For instance, it partnered MOE, Singapore Athletics and the Sports Hub to organise an athletics season at the National Stadium in April-May 2016, comprising the Singapore Open Track and Field Championships, National School Games Track and Field Finals, ActiveSG Athletics Fiesta and Asia Masters Athletics Championships.

63 MOF assured the Committee that the Government reviewed and captured the key lessons from PPP projects undertaken thus far. For instance, reviews had suggested that PPP projects worked better where there were defined measureable outcomes or KPIs which were

also within the private sector partner's ability to control, such as water treatment plants where outcomes/outputs could be clearly articulated and measured. MOF further assured the Committee that should there be a need, the Government would be open to introducing additional conditions for future PPP projects so long as they were measureable and reasonable for the private sector partner to achieve.

Observations and Recommendations

64 The Committee noted the measures and guidelines in place for infrastructure projects. The Committee acknowledged the Government's monitoring of key lessons learnt from past PPP projects and noted that the Government was open to introducing additional conditions for future PPP projects. The Committee urged the Government to consider having contractual conditions on the social obligations of PPP projects where possible. The Committee urged MOF to continue monitoring existing PPP projects and to share such experiences with the Ministries.

ACCURACY OF BUDGET FORECASTS

65 The Committee noted that the accuracy of budget forecasts was last examined by the Estimates Committee in 2004. As such, the Committee enquired about the variances between the forecasted budget and the actual revenue and expenditure for the past five financial years, and how these past statistics compared with other countries' budget variances. Additionally, the Committee asked whether there were any improvements to current models of estimation to achieve greater accuracy in both revenue and expenditure projections.

66 MOF furnished the information for the variance of forecasted budget and actual revenue and expenditure for the past five financial years in Table 3.

Table 3 – Variance between forecasted and actual revenue and expenditure

ACTUAL/BUDGETED	FY2010	FY2011	FY2012	FY2013	FY2014
Operating Revenue	13.1%	6.1%	5.2%	3.6%	2.2%
Total Expenditure	-2.2%	-1.1%	-2.5%	-3.1%	-0.0%

Source: MOF estimates.

67 MOF also informed the Committee that the Ministry constantly sought to improve the estimation of both revenues and expenditure for better fiscal marksmanship. It was shared that Singapore's budget variances for revenue and expenditures had generally been comparable to that of other countries as presented in Table 4.

Table 4 – Budget variances of other countries

Budget Variances[5]		**2010**	**2011**	**2012**	**2013**	**2014**
Hong Kong	Revenues	28.9%	16.7%	13.3%	4.6%	11.3%
	Expenditures	-5.0%	-1.9%	-4.2%	-1.5%	-1.3%
United Kingdom	Revenues	0.7%	-3.3%	-0.9%	1.5%	-0.8%
	Expenditures	-1.2%	-3.1%	-1.3%	-0.4%	-0.3%
USA	Revenues	-0.1%	6.0%	-0.8%	2.3%	0.7%
	Expenditures	-7.1%	-5.6%	-6.8%	-6.2%	-4.0%

68 MOF explained that for revenues, many factors affected the estimates. After taking into account the prevailing macroeconomic climate and structural trends, MOF worked with agencies to better understand and incorporate specific key drivers of various revenues into the estimates where possible.

69 On expenditures, there are frameworks to encourage budget marksmanship such as the Budget Utilisation Framework (BUF) which imposes penalties on Ministries that did not achieve the target utilisation rate for their budgets. This is to encourage Ministries to budget as closely as possible to their actual expenditure needs. Where the variance between actual expenditure and budgeted estimates exceeded 5%, a Ministry would see its budget for the next financial year adjusted downward with a BUF penalty. While the BUF strives to encourage Ministries to budget as closely as possible to their actual needs, it is also not intended to encourage Ministries to spend to the last dollar voted to them. MOF further shared that over the past three financial years, most Ministries' budget utilisation (BU) rates were within the allowable variance of 5%.

70 MOF elaborated further that the BUF was also implemented at the Ministry group level, and not on individual divisions or departments. This allows for any unutilised budget in one

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[5] Sources: HK budget websites & HK census and statistical department, UK Office for Budget Responsibility - Forecast Evaluation Reports, U.S. Government Publishing Office – Budget of the United States Government 2011-2017

department to be redeployed to another department within the Ministry group that may require more funds over the course of the financial year.

71 In addition to the mechanisms mentioned, MOF shared with the Committee that there were complementary mechanisms to encourage fiscal prudence. These included the BBF and block budget reviews that MOF undertakes with the Ministries to review their funding needs.

72 The Committee enquired further whether there was a platform from which to regularly share Ministries' experiences or lessons learnt in budget marksmanship with all Ministries.

73 MOF informed the Committee that there were platforms for Ministries to share best practices and experiences in financial and budget management. Such platforms include the Directors of Finance (DOF) meetings and High Performance Seminars. The DOF meetings are chaired by MOF and AGD and would include the Director of Finance from each Ministry. The High Performance Seminars also include the Directors of Finance from SBs. Apart from sharing best practices, such platforms also discuss issues such as developing the capabilities and enhancing the competencies of finance officers in Ministries and SBs to achieve better financial and budget management.

Observations and Recommendations

74 The Committee noted the frameworks MOF had in place to encourage budget marksmanship and acknowledged MOF's efforts in achieving a variance of less than 5% for the past five financial years' total expenditures.

75 The Committee urged MOF to continue with the different platforms for Ministries to share best practices and experiences in financial and budget management, including looking into relevant training, for the finance officers in Ministries and SBs, who were the practitioners of rules and policies governing budget management and administration.

FINANCING OF STATUTORY BOARDS

76 The Estimates Committee last examined the financing of SBs in 2004. The Committee asked MOF what percentage of the Main and Development Estimates were grants to the SBs and how such grants were determined. The Committee also queried how the SBs were financed and the measures in place for Ministries to review SBs' surpluses.

77 MOF informed the Committee that about two-thirds of the SBs are financed through Government grants, while the remainder were self-financing. SBs that are self-financing receive revenues such as fees and charges. These SBs are allowed to retain the collection of fees and charges to cover their costs of operations.

78 For those SBs that are financed through Government grants, they may receive 2 types of grants (i) Operating grants – Provided to SBs for services rendered; and (ii) Development grants – Provided to SBs for longer term investments or expenses that would result in the formation of an asset of the Government, e.g. the acquisition of heavy equipment or buildings.

79 MOF furnished the information on the amount of grants to SBs as a percentage of the Main and Development Estimates for the past five financial years in Table 5.

Table 5 - Percentage of the Main and Development Estimates that are grants to the Statutory Boards

	A2012[6]	**A2013**	**A2014**	**R2015**[7]	**E2016**[8]
Grants, Subventions & Capital Injections to SBs	$3,625,161,309	$3,632,677,686	$4,274,856,374	$5,510,664,200	$7,123,480,300
Operating Expenditure	$37,878,310,232	$42,714,484,218	$46,541,458,528	$53,263,123,400	$57,097,022,700
% of Operating Expenditure	**9.57%**	**8.50%**	**9.19%**	**10.35%**	**12.48%**
Grants & Capital Injections to Organisations[9]	$7,822,735,564	$7,957,623,619	$9,309,004,295	$14,471,427,800	$12,214,141,200
Development Expenditure	$12,583,157,735	$12,002,986,475	$13,963,055,142	$19,682,434,800	$19,003,100,600
% of Development Expenditure	**62.17%**	**66.30%**	**66.67%**	**73.52%**	**64.27%**

Source: MOF.

80 All SBs are required to submit their annual audited financial statements to their Ministries for review. Ministries are to ensure that SB surpluses are reasonable with respect to their functions. MOF may also review surpluses of SBs from time to time, and direct SBs to

[6] A refers to actual figures
[7] R refers to revised figures
[8] E refers to estimated figures
[9] No further information breakdown for development expenditure to Statutory Boards specifically. "Organisations" include SBs, educational institutions and other organisations.

return funds to the Consolidated Fund to prevent excess build-up at SBs. Most SBs are required to make SB contributions in lieu of tax to the Consolidated Fund in years when accounting surpluses are recorded. They are then allowed to retain the remaining surpluses to finance their operations in subsequent years and acquire assets.

81 When determining their fee and charges, SBs are to comply with the Fees and Charges framework that is already put in place. As a rule, fees and charges (excluding deterrent charging) should not be priced at more than the full cost of providing the services. Parent Ministries are responsible for the oversight of fees and charges of their SBs, and they make sure that fees and charges are reviewed periodically. This ensures that fees and charges are not excessive. MOF shared that in recent years, some agency fees and charges had decreased due to productivity improvements. For example, MOH has implemented the Risk Based Licensing Framework whereby good performing/compliant clinics are offered longer term licences (i.e. 5-year licence as opposed to a 2-year licence). This results in General Practitioners paying less for their clinic licence fee as a 5-year licence would cost $900 instead of $770 for a 2-year licence. In addition, MOH has been able to channel its resources from administering routine licence inspections and renewals to enforcement of more targeted regulatory surveillance and inspections on high-risks areas.

82 MOF indicated that various SBs had also increased their digitalisation efforts to make business processes more efficient through improving access and reducing complexity, resulting in more fees and charges being slated to decrease or to be removed altogether. For example, JTC is streamlining its application forms and automating approvals for common business processes and has removed its administrative fees for online applications of lease management processes since October 2016.

Safeguards for grants to Statutory Boards

83 The Committee noted that grants to SBs had been increasing over the years and asked MOF on the safeguards in place to ensure that such grants were utilised economically, efficiently and effectively. The Committee also asked MOF whether there had been any review conducted by the Government to ascertain whether the roles and functions performed through a SB had been done so more economically, efficiently and effectively rather than through the parent Ministry.

84 MOF informed the Committee that there were safeguards in place for grants to SBs which included scrutiny to ensure the amount of funding was appropriate prior to approval, rules on how and when the funding could be used, and post implementation reviews and audits. At the same time, approval for these grants would also take into account an assessment of factors such as their needs, effectiveness of ongoing programmes and projects as well as utilisation record.

85 When approvals for such grants are sought by SBs, Ministries consider the intended outcomes and deliverables as well as the associated implementation costs. Grants are sized to ensure that SBs make use of the monies in the most cost-efficient manner to achieve the intended outcomes. For instance, for infrastructure expenditure, projects above $500 million are subject to the Gateway process where approval is given in stages, each time after a panel of technical experts has reviewed the proposal.

86 MOF also has put rules in place to govern the use of funds by SBs, which are laid out in the Government Instruction Manuals and Finance Circulars. For example, the funding given can only be used for their intended purposes and the use of open tender is the default procurement method[10] to allow competitive bidding to ensure good value for money.

87 SBs are also subjected to audits by internal and external auditors, where auditors would perform checks on their compliance with the rules and guidelines set by MOF. The Auditor-General's Office (AGO) also regularly conducts selective audits on SBs to check for excessive, extravagance or wasteful practices, and whether public agencies had complied with rules and procedures. In addition, AGD conducts reviews to assess whether public programmes meet the intended policy objectives efficiently, effectively and economically.

Functions of Statutory Boards

88 MOF explained that the SBs were set up to focus on national priorities, and existed as an extension of the Government to perform specific public functions. SBs undertake a variety of functions and roles which are spelled out in their empowering Acts, e.g. regulation (e.g. MAS, EMA), promotion and facilitation (e.g. IDA, SPRING), provision of public services (e.g. PUB, NLB). Nonetheless, the Government also conducts periodic internal reviews to ensure

[10] Exemptions from open tender are only allowed in specific instances, such as if there are national security considerations or if the purchase can only be made from the owner of the intellectual property.

that functions are right-sited and resources are placed with the entity most appropriate to undertake the function. For example, following an internal review, the National Youth Council (NYC) was taken out from People's Association and placed directly under MCCY as an autonomous department in June 2014. This shift of the function from a SB to the Ministry was to enable NYC to better perform its role as the national coordinator for youth development programmes, as being under a Ministry structure places it in a better position to work more effectively and efficiently with government agencies, community partners and youth sector organisations to drive holistic youth development.

Observations and Recommendations

89 As grants to SBs would be expected to grow along with the Government's overall expenditure priorities, the Committee urged Ministries to monitor these grants to their SBs, with the view to ensuring that the usage of the monies were cost-efficient while meeting the intended objectives. The Committee encouraged the Government to continue its periodic internal reviews of the functions of the SBs.

DEVELOPMENTS IN THE PUBLIC TRANSPORT SYSTEM

90 The Committee noted that at the Committee of Supply debate for the Ministry of Transport (MOT) in April 2016, Parliament was informed that the Government had invested more than $30 billion over the last 15 years in the rail network and would be investing even more in the next 15 years. The Committee enquired whether the funds allocated to the public transport system had met the intended objectives.

91 The Committee was informed that MOT was on track to realise the long-term vision for the land transport system as outlined in the Land Transport Master Plan 2013. The percentage of commuters satisfied with public transport services rose from 88.5% in 2013 to 91.8% in 2015, reversing the declining trend from 2009 to 2013. This increased customer satisfaction rating is supported by the following efforts:

(a) Rail:

(i) Since 2013, the rail network has been expanded by 20km, with the opening of Marina South Pier station and the Downtown Line (DTL) Stages 1 and 2. 6 in 10 households are now within a 10-minute walk from a rail station. The rail network will be further expanded by 160km from now until 2030, with a new line or extension opening almost every year. By then, 8 in 10 households will be within a 10-minute walk from a rail station.

(ii) The train fleet for the North-South and East-West Lines (NSEWL), North East Line and Circle Line (CCL) have increased by about 25% since 2013. The fleet will be expanded further by another 25% by 2019. The aim is to ensure a comfortable level of loading for commuters.

(iii) The average distance travelled between delays of more than 5 minutes on the MRT network has increased by 40% from 94,000 train-km in 2013 to 133,000 train-km in 2015. To further improve rail reliability, LTA is working with the operators to renew our oldest NSEWL, and identify ageing components on other lines to rejuvenate. By 2018, the sleepers, signalling system and third rail on the NSEWL will be new.

(b) Bus: From 2012 till June 2016, 820 of the 1,000 Bus Service Enhancement Programme (BSEP) buses and 65 of the 80 committed new or amended bus services have been introduced, with the rest to be implemented by the end of next year. As a result, buses now run at the higher peak hour frequencies for two hours each morning and evening, an improvement from one hour only previously.

92 These improvements have allowed 78% of public transport journeys less than 20km to be completed within 60 minutes in 2015, an improvement from 76% in 2013. The target is to achieve 85% by 2030. Moreover, 66% of journeys during peak periods were made by public transport in 2015, an increase from 64% in 2013. The target is to achieve 75% by 2030 as part of the drive to create a sustainable transport system for Singapore. To this end, MOT is also actively improving first-mile-last-mile infrastructure for walking and cycling, so that Singaporeans can get to public transport nodes more comfortably. MOT has since constructed 20km and 62km of sheltered walkways under the Walk2Ride initiative and cycling paths respectively.

Industry Transition

93 The Committee also noted that the rail and bus industries were being transited to the New Rail Financing Framework (NRFF) and bus contracting. As such, the Committee would

like to know how such developments could translate into further improvements to the public transport system.

94 MOT explained that under the previous financing framework, rail operators owned the operating assets, such as the trains and the signalling system. They are hence responsible for building up the stock of operating assets as well as replacement and upgrading works for these assets. However, as operators bear the full financial risk, they may be too cautious about undertaking these costly works. This can affect the capacity and reliability of train services. Under the NRFF, the Government owns the operating assets and is responsible for expanding, replacing and upgrading them. The train operator pays an annual Licence Charge for the right to use these assets and to earn revenue from operating the line. The Licence Charge is paid into a Railway Sinking Fund to finance future build-up, replacement and upgrade of the operating assets.

95 MOT assured the Committee that the transition to NRFF would benefit commuters in the following ways. Firstly, MOT will be able to respond to increased ridership, and replace and upgrade operating assets, in a more timely fashion. Secondly, the operator, having been relieved of heavy capital expenditure, can focus on providing reliable and well-maintained rail services for commuters. Thirdly, MOT will shorten the licence tenure from 30 to 40 years to 15 years to improve contestability.

96 LTA will also continue to regulate the rail operators via the licence conditions, including a set of Operational Performance Standards that are reviewed regularly to factor in commuter needs and operational requirements. Operators who breach the licence conditions may be liable for a penalty of up to $1 million, or 10% of the annual fare revenue of the affected licensed system, whichever is higher.

97 MOT further assured the Committee that commuters could also expect higher bus service standards with the move to bus contracting. Similar to the NRFF, LTA will own all operating assets, allowing public bus services to respond more quickly to commuter needs. After the transition, bus frequencies will improve further. During peak hours, all bus services will run at shorter headways of no more than 15 minutes, with half running at headways of no more than 10 minutes, while all feeder services will run at headways of 6 to 8 minutes.

98 The service and maintenance standards of the bus industry will be enforced through an incentive-disincentive framework in the contracts. For example, bus service reliability will be monitored under the Bus Service Reliability Framework, while operators will be penalised if they fail to meet stipulated maintenance requirements for bus assets and infrastructure. At the same time, operators will continue to be subjected to prevailing licence conditions.

Observations and Recommendations

99 The Committee noted that MOT had mechanisms in place to monitor and ensure that the funds allocated to the public transport system were on the right track to meeting the intended objectives. The Committee expressed its support for the transition in the rail and bus industries to the New Rail Financing Framework (NRFF) and bus contracting model. In addition, the Committee urged MOT to ensure a smooth and seamless transition in both industries, and to continue its close monitoring of the service levels and standards after the transition.

Appendix

MINUTES OF PROCEEDINGS

1st Meeting

Tuesday, 5th July 2016

10.00 am

PRESENT

Ms Foo Mee Har *(in the Chair)*
Miss Cheng Li Hui
Mr Darryl David
Mr Christopher de Souza
Mr Pritam Singh
Dr Tan Wu Meng
Mr Zaqy Mohamad

ABSENT

Mr Lee Yi Shyan

1. The Committee deliberated.

2. The following officials briefed the Committee on the Fiscal Framework and Annual Budget Process of the Government:

   Ministry of Finance
   (a) Ms Sim Ann, Senior Minister of State
   (b) Ms Lim Soo Hoon, Permanent Secretary (Finance)(Performance)
   (c) Mrs Tan Ching Yee, Permanent Secretary (Finance)
   (d) Mr Yee Ping Yi, Deputy Secretary (Policy)
   (e) Mr Ow Fook Chuen, Accountant-General
   (f) Ms Jamie Ang, Director (Fiscal Policy)
   (g) Mr John Koh, Deputy Director (Strategic Planning)
   (h) Mr Foo Guozhi, Deputy Director (Reserves & Investment)
   (i) Mr Leou Jie Dong, Deputy Director (Fiscal Strategy & Systems)
   (j) Mr Rodney Huang, Head (Social Strategy 2)
   (k) Ms Chia Pei Xian, Associate (Strategic Planning)

3. The Committee further deliberated.

Adjourned to a date to be fixed.

2nd Meeting

Friday, 5th August 2016

12 noon

PRESENT

Ms Foo Mee Har *(in the Chair)*
Miss Cheng Li Hui
Mr Darryl David
Mr Lee Yi Shyan
Mr Pritam Singh
Dr Tan Wu Meng
Mr Zaqy Mohamad

ABSENT

Mr Christopher de Souza

1. The Committee deliberated.

Adjourned to a date to be fixed.

3rd Meeting

Thursday, 15th September 2016

12 noon

PRESENT

Ms Foo Mee Har *(in the Chair)*
Mr Darryl David
Mr Lee Yi Shyan
Mr Pritam Singh
Dr Tan Wu Meng

ABSENT

Mr Christopher de Souza
Miss Cheng Li Hui
Mr Zaqy Mohamad

1. The Committee considered a Memorandum submitted by the Ministry of Finance (MOF) in respect of (a) Permanent Government Schemes and Budget Sustainability; (b) Control and Oversight over Ministries' Budget and Expenditure to Prevent Wastage and Extravagance to Deliver the Desired Outcomes; (c) Accuracy of Budget Forecasts; (d) Financing of Statutory Boards; (e) Budget of Ministry of Transport: Ensuring that the Funding and Ownership of Infrastructure and Assets of our Public Transport System Lead to Better Outcomes; and (f) Ensuring There is No Wastage or Duplication of Services in the Silver Support Scheme.

2. The Committee deliberated.

Adjourned to a date to be fixed.

4th Meeting

Tuesday, 22nd November 2016

9.30 am

PRESENT

Ms Foo Mee Har *(in the Chair)*
Miss Cheng Li Hui
Mr Darryl David
Mr Christopher de Souza
Mr Lee Yi Shyan
Mr Pritam Singh
Dr Tan Wu Meng
Mr Zaqy Mohamad

1. The Committee deliberated.

2. The Committee considered a further Memorandum submitted by the Ministry of Finance in respect of (a) Permanent Government Schemes and Budget Sustainability; (b) Control and Oversight over Ministries' Budget and Expenditure to Prevent Wastage and Extravagance to Deliver the Desired Outcomes; (c) Accuracy of Budget Forecasts; (d) Financing of Statutory Boards; (e) Ensuring There is No Wastage or Duplication of Services in the Silver Support Scheme.

3. The following officials were examined on matters contained in the Memorandum:

<u>Ministry of Finance</u>
(a) Mrs Tan Ching Yee, Permanent Secretary (Finance)
(b) Ms Lim Soo Hoon, Permanent Secretary (Finance)(Performance)
(c) Mr Yee Ping Yi, Deputy Secretary (Policy)
(d) Ms Jamie Ang, Director (Fiscal Policy)
(e) Mr Chia Ser Huei, Director (Performance & Resource Management)
(f) Mr John Koh, Deputy Director (Strategic Planning)
(g) Mr Chin Yi Zhuan, Deputy Director (Social Programmes)
(h) Ms Tan Yi Bing, Head (Economic Strategy)
(i) Ms Lye Su Yin, Head (Reviews)
(j) Ms Chia Pei Xian, Associate (Strategic Planning)

4. The Committee further deliberated.

Adjourned to a date to be fixed.

5th Meeting

Tuesday, 24th January 2017

12 noon

PRESENT

Ms Foo Mee Har *(in the Chair)*
Miss Cheng Li Hui
Mr Darryl David
Mr Lee Yi Shyan
Mr Pritam Singh
Dr Tan Wu Meng

ABSENT

Mr Christopher de Souza
Mr Zaqy Mohamad

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1. The Committee deliberated.

Report

2. The Chairman's report brought up and read the first time.

3. Resolved, "That the Chairman's report be read a second time paragraph by paragraph.".

4. Paragraphs 1 to 99 inclusive read and agreed to.

5. Resolved, "That this report be the report of the Committee to Parliament."

6. Agreed that the Chairman do present the Report to Parliament when copies are available for distribution to Members of Parliament.

Adjourned sine die.
