

Head 116 — OFFICIAL RECEIVER'S OFFICE

Controlling officer: the Official Receiver will account for expenditure under this Head.

Estimate 2004–05	\$135.8m
Establishment ceiling 2004–05 (notional annual mid-point salary value) representing an estimated 242 non-directorate posts as at 31 March 2004 reducing by 17 posts to 225 posts as at 31 March 2005.....	\$79.6m
In addition there will be an estimated eight directorate posts as at 31 March 2004 reducing by one post to seven posts as at 31 March 2005.	
Commitment balance	\$7.1m

Controlling Officer's Report

Programme

Official Receiver's Office

This programme contributes to Policy Area 1: Financial Services (Secretary for Financial Services and the Treasury).

Detail

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	130.7	139.5	138.0 (-1.1%)	135.8 (-1.6%)
				(or -2.7% on 2003–04 Original)

Aim

2 The aim is to administer the Companies Ordinance relating to the compulsory winding-up of companies and the Bankruptcy Ordinance relating to the estates of bankrupts.

Brief Description

3 The Official Receiver's Office (ORO) is responsible for the effective administration of insolvency matters pertaining to compulsory liquidation of companies and individual bankruptcies. This work involves:

- the delivery of an effective in-house management insolvency service when appointed by the court and creditors as liquidator or trustee and the management of the schemes for contracting out liquidation cases to the private sector;
- the effective realisation of assets of insolvent companies and bankrupts at the earliest opportunity, adjudication of creditors' claims, and declaration of dividends to preferential and ordinary creditors as soon as possible; and
- investigation into the conduct of debtors, directors and officers of insolvent companies and the causes of business failures, prosecution of insolvency offenders and implementation of the statutory provisions relating to the disqualification of company directors.

4 ORO broadly achieved its targets in 2003.

5 The key performance measures in respect of the administration of insolvency cases are:

Targets

	Target processing time	2002 (Actual)	2003 (Actual)	2004 (Plan)
		% within target		
general enquiries in person at public reception counter	10 minutes	99	100	99
applications for bankruptcy searches and winding-up searches				
in person	3 hours	100	100	99
by mail	3 working days	100	100	100
using computer terminal.....	1 hour	100	100	100
batch search	2 hours	100	100	100
application for Certificate of non-bankruptcy.....	3 working days	100	100	100

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	Target processing time	2002 (Actual)	2003 (Actual)	2004 (Plan)
		% within target		
lodging Proofs of Debt				
in person	10 minutes	100	100	100
obtaining assistance of officers to complete a Proof of Debt	30 minutes	99	100	100
request for copies of Statement of Affairs, subject to payment of photocopying fees	3 working days	100	100	100
distribution of dividends				
making a distribution of dividend when the distribution is possible ...	within 9 months	99	99	100
sending dividend cheques by mail	5 working days	100	100	100
holding meetings of creditors in non- summary cases				
winding-up				
making decision to hold meetings	within 8 weeks	96	91	95
holding meetings	within 12 weeks	96	96	95
bankruptcy cases				
making decision to hold meetings	within 12 weeks	88	97	100
holding meetings	within 16 weeks	96	99	100
issue of receipt for payment of book debts				
in person	15 minutes	100	100	100
by mail	3 working days	100	100	100
process written fund withdrawal requests from outside liquidators, provided the specified notification periods are followed				
Pool Investment Scheme				
amount below \$10m.....	3 working days	100	100	100
amount between \$10m - \$15m..	5 working days	100	100	100
amount between \$15m - \$20m..	10 working days	100	100	100
funds invested separately	2 working days before maturity of fixed deposit	100	100	100
process invoices including liquidators' bills and arrange payments	within 30 calendar days	99	99	99
put summary cases with insufficient assets for distribution on release programme....	within 12 months	96	98	95

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
new cases.....	26 620	26 170	20 000
insolvency cases completed (i.e. release orders made by the Court), stayed or rescinded	5 092	6 511	4 560
cases put on release programme	902	1 768	1 800
cases on release programme at year end.....	607	1 639	3 080
cases put on small case programme.....	9 601	22 977	23 200
cases on small case programme at year end.....	6 488	22 633	43 000
average active case load per Insolvency Officer	390	414	540
cases put on adjudication programme	863	2 035	2 000
proofs of claim adjudicated	12 466	16 463	14 000
cases with dividends declared	1 200	1 690	1 430
amount of dividends declared (\$m).....	111	116	80
summons issued	377	368	370
meetings of creditors held	479	1 348	1 340
writs issued and other proceedings.....	31	27	30
non-remunerative cases (i.e. cases with assets less than \$50,000).....	25 894	25 787	19 600
proportion of non-remunerative cases to new cases (%)	97	99	98

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Matters Requiring Special Attention in 2004–05

6 During 2004–05, ORO will:

- continue the scheme to contract out summary and non-remunerative liquidation cases (each with estimated realisable assets of less than \$200,000) to insolvency practitioners in the private sector;
- continue to monitor the Administrative Panel Scheme for contracting out non-summary liquidation cases (each with estimated realisable assets of more than \$200,000) to insolvency practitioners in the private sector;
- continue the scheme for outsourcing preliminary examination of bankrupts to private sector practitioners;
- in the light of the recommendations arising from the consultancy study on the role and functions of ORO, seek legislative amendments to the Bankruptcy Ordinance to provide a legal mechanism for outsourcing summary bankruptcy cases, and to consider the way forward for other recommendations of the study;
- encourage greater use of individual voluntary arrangements by debtors as an alternative to bankruptcy;
- closely review existing targets of performance pledges and determine any new areas for improvement in consultation with the department's Service Advisory Committee;
- review the operational procedures in the department with a view to improving efficiency and productivity; and
- explore a long-term information technology strategy.

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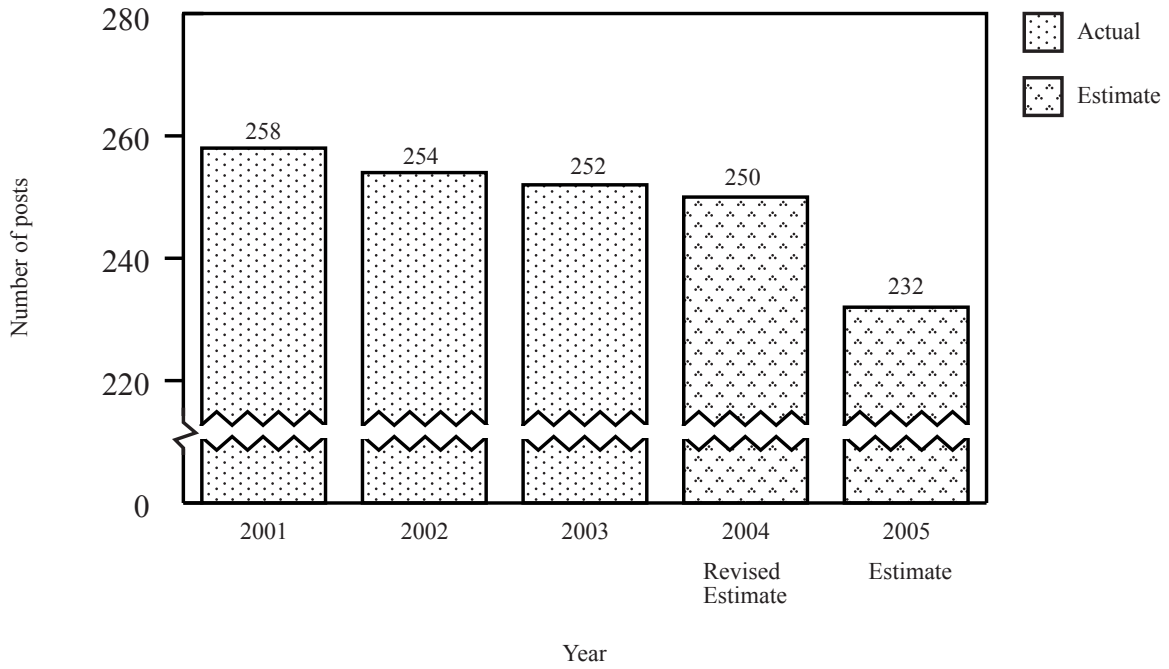
ANALYSIS OF FINANCIAL PROVISION

Programme	2002-03 (Actual) (\$m)	2003-04 (Original) (\$m)	2003-04 (Revised) (\$m)	2004-05 (Estimate) (\$m)
Official Receiver's Office.....	130.7	139.5	138.0 (-1.1%)	135.8 (-1.6%)
				(or -2.7% on 2003-04 Original)

Analysis of Financial and Staffing Provision

Provision for 2004-05 is \$2.2 million (1.6%) lower than the revised estimate for 2003-04. This is mainly due to the effect of the 2004 and 2005 civil service pay cut, reduced requirement for departmental expenses to achieve efficiency savings and a net deletion of 18 posts towards the end of 2004-05, partly offset by the contracting out of more summary cases and higher requirement for acting allowances arising from staff changes.

*Changes in the size of the establishment
(as at 31 March)*



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Sub-head (Code)	Actual expenditure 2002-03	Approved estimate 2003-04	Revised estimate 2003-04	Estimate 2004-05	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses.....	—	134,031	132,394	130,115
	Salaries	103,413	—	—	—
	Allowances	1,088	—	—	—
	Job-related allowances	24	—	—	—
	Hire of services and professional fees	10,283	—	—	—
	General departmental expenses	13,380	—	—	—
	Total, Recurrent	128,188	134,031	132,394	130,115
Non-Recurrent					
700	General non-recurrent.....	2,472	5,437	5,590	5,700
	Total, Non-Recurrent	2,472	5,437	5,590	5,700
	Total, Operating Account.....	130,660	139,468	137,984	135,815
Capital Account					
Plant, Equipment and Works					
	Minor plant, vehicles and equipment (block vote).....	16	—	—	—
	Total, Plant, Equipment and Works	16	—	—	—
	Total, Capital Account	16	—	—	—
	Total Expenditure.....	130,676	139,468	137,984	135,815

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Details of Expenditure by Subhead

The estimate of the amount required in 2004–05 for the salaries and expenses of the Official Receiver's Office is \$135,815,000. This represents a decrease of \$2,169,000 against the revised estimate for 2003–04 and an increase of \$5,139,000 over actual expenditure in 2002–03.

Operating Account

Recurrent

2 Provision of \$130,115,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Official Receiver's Office.

3 The establishment as at 31 March 2004 will be 250 permanent posts. It is expected that a net 18 posts will be deleted in 2004–05. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2004–05, but the notional annual mid-point salary value of all such posts must not exceed \$79,608,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2002–03 (Actual) (\$'000)	2003–04 (Original) (\$'000)	2003–04 (Revised) (\$'000)	2004–05 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	103,413	103,822	100,504	98,076
- Allowances.....	1,088	1,219	1,316	2,450
- Job-related allowances	24	20	9	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	41	81	80
Departmental Expenses				
- Hire of services and professional fees.....	10,283	20,596	16,583	20,596
- General departmental expenses.....	13,380	8,333	13,901	8,911
	128,188	134,031	132,394	130,115

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2003	Revised estimated expenditure for 2003-04	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	003	Pilot scheme to contract out cases of winding-up of companies	10,000	8,590	20	1,390
	006	Conducting investigation and directors' disqualification proceedings in the Peregrine Group of Companies.....	8,536	3,966	2,000	2,570
	008	Conducting investigation and directors' disqualification proceedings in the C.A. Pacific Group of Companies	4,994	2,719	1,775	500
	009	Conducting investigation and directors' disqualification proceedings in the Ming Fung Group of Companies	3,621	161	850	2,610
		Total.....	<u>27,151</u>	<u>15,436</u>	<u>4,645</u>	<u>7,070</u>