

Head 116 — OFFICIAL RECEIVER'S OFFICE

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

Estimate 2005–06	\$130.3m
Establishment ceiling 2005–06 (notional annual mid-point salary value) representing an estimated 225 non-directorate posts as at 31 March 2005 reducing by four posts to 221 posts as at 31 March 2006	\$69.6m
In addition, there will be an estimated eight directorate posts as at 31 March 2005 and as at 31 March 2006.	
Commitment balance	\$7.9m

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

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	128.8	135.8	121.0 (–10.9%)	130.3 (+7.7%)
				(or –4.1% on 2004–05 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 2004.

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

Targets

	Target processing time	2003 (Actual)	2004 (Actual)	2005 (Plan)
		% within target		
general enquiries in person at public reception counter	10 minutes	100	100	100
applications for bankruptcy searches and winding-up searches				
in person.....	3 hours	100	100	100
by mail.....	3 working days	100	100	100
using computer terminal	1 hour	100	100	100
batch search.....	2 hours	100	100	100

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	Target processing time	2003 (Actual)	2004 (Actual)	2005 (Plan)
			% within target	
application for Certificate of Non- bankruptcy	3 working days	100	100	100
lodging Proofs of Debt in person	10 minutes	100	100	100
obtaining assistance of officers to complete a Proof of Debt	30 minutes	100	100	100
request for copies of Statement of Affairs, subject to payment of photocopying fees	3 working days	100	100	100
distribution of dividends completing procedures for distribution of dividend when the distribution is possible	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	8 weeks	91	80#	90
holding meetings	12 weeks	96	83#	90
bankruptcy cases making decision to hold meetings	12 weeks	97	97	100
holding meetings	16 weeks	99	98	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 by the due dates, 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	30 calendar days	99	99	99
put summary cases with insufficient assets for distribution on release programme	12 months	98	98	95

Due to a larger number of complex cases requiring longer processing time.

Indicators

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
new cases	26 170	14 740	14 003
insolvency cases completed (i.e. release orders made by the Court), stayed or rescinded	6 511	4 545	4 545
cases put on release programme	1 768	2 229	2 340
cases on release programme at year end	1 639	1 941	2 372
cases put on small case programme	22 977	16 257	14 631
cases on small case programme at year end	22 633	37 014	49 009
average active case load per Insolvency Officer	414	446	397
cases put on adjudication programme	2 035	2 704	2 974
proofs of claim adjudicated	16 463	19 700	21 667
case with dividends declared	1 690	2 054	1 920
amount of dividends declared (\$m)	116	144	149
summons issued	368	383	370
meetings of creditors held	1 348	1 430	1 359

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	2003 (Actual)	2004 (Actual)	2005 (Estimate)
writs issued and other proceedings	27	30	23
non-remunerative cases (i.e. cases with assets less than \$50,000)	25 787	14 579	13 850
proportion of non-remunerative cases to new cases (%).....	99	99	99

Matters Requiring Special Attention in 2005–06

6 During 2005–06, ORO will continue to:

- implement 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;
- 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;
- implement 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 the long-term information technology strategy.

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ANALYSIS OF FINANCIAL PROVISION

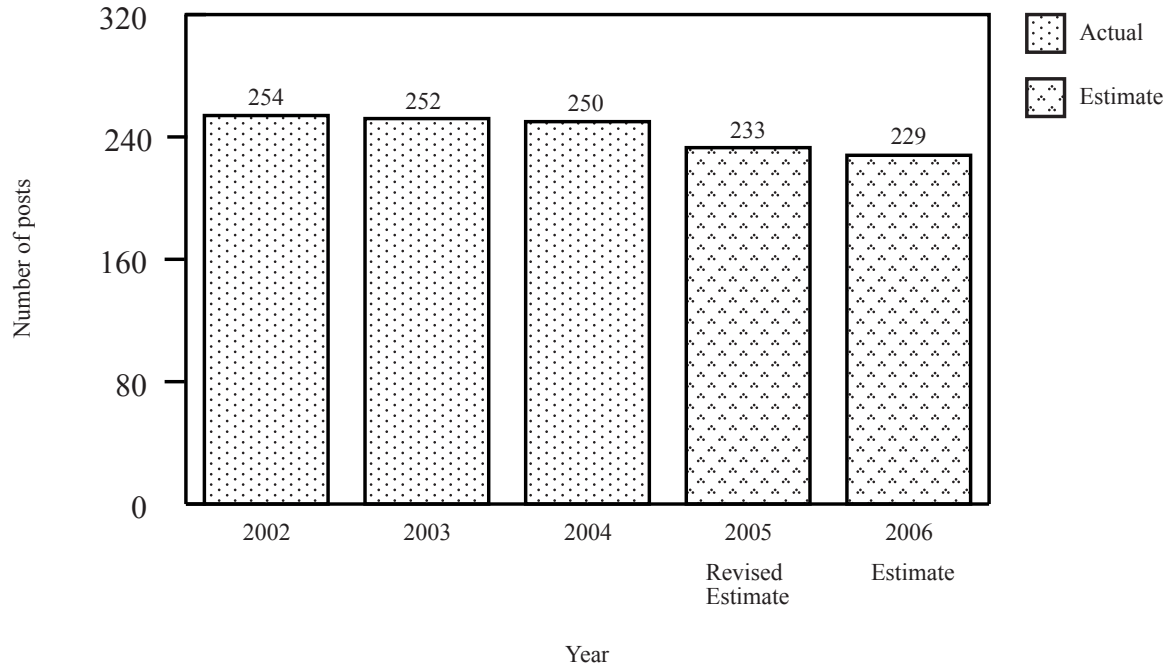
Programme	2003-04 (Actual) (\$m)	2004-05 (Original) (\$m)	2004-05 (Revised) (\$m)	2005-06 (Estimate) (\$m)
Official Receiver's Office	128.8	135.8	121.0 (-10.9%)	130.3 (+7.7%)
				(or -4.1% on 2004-05 Original)

Analysis of Financial and Staffing Provision

Provision for 2005-06 is \$9.3 million (7.7%) higher than the revised estimate for 2004-05. This is mainly due to increased provision for meeting legal costs and anticipated payments in the contracting out of summary winding-up cases, higher requirement for acting allowance arising from staff changes and increased cash flow requirement for non-recurrent items, partly offset by the full-year effect of the 2005 civil service pay cut and a net deletion of four posts in 2005-06.

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



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Sub-head (Code)	Actual expenditure 2003-04	Approved estimate 2004-05	Revised estimate 2004-05	Estimate 2005-06	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	127,083	130,115	117,989	123,821
	Total, Recurrent	<u>127,083</u>	<u>130,115</u>	<u>117,989</u>	<u>123,821</u>
Non-Recurrent					
700	General non-recurrent	1,748	5,700	3,020	6,523
	Total, Non-Recurrent	<u>1,748</u>	<u>5,700</u>	<u>3,020</u>	<u>6,523</u>
	Total, Operating Account	128,831	135,815	121,009	130,344
<hr/>					
	Total Expenditure	<u><u>128,831</u></u>	<u><u>135,815</u></u>	<u><u>121,009</u></u>	<u><u>130,344</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2005–06 for the salaries and expenses of the Official Receiver's Office is \$130,344,000. This represents an increase of \$9,335,000 over the revised estimate for 2004–05 and of \$1,513,000 over actual expenditure in 2003–04.

Operating Account

Recurrent

2 Provision of \$123,821,000 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 2005 will be 233 permanent posts. It is expected that there will be a net deletion of four permanent posts in 2005–06. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2005–06, but the notional annual mid-point salary value of all such posts must not exceed \$69,596,000.

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

	2003–04 (Actual) (\$'000)	2004–05 (Original) (\$'000)	2004–05 (Revised) (\$'000)	2005–06 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	100,254	98,076	94,150	90,850
- Allowances	889	2,450	1,772	2,563
- Job-related allowances	7	2	2	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution	84	80	81	80
Departmental Expenses				
- Hire of services and professional fees	12,596	20,596	11,100	20,596
- General departmental expenses	13,253	8,911	10,884	9,730
	127,083	130,115	117,989	123,821

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2004	Revised estimated expenditure for 2004-05	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	4,210	500	3,826
	008	Conducting investigation and directors' disqualification proceedings in the C.A. Pacific Group of Companies	4,994	2,895	500	1,599
	009	Conducting investigation and directors' disqualification proceedings in the Ming Fung Group of Companies	3,621	543	2,000	1,078
		Total	<u>27,151</u>	<u>16,238</u>	<u>3,020</u>	<u>7,893</u>