

Head 116 — OFFICIAL RECEIVER'S OFFICE

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

Estimate 2006–07	\$131.0m
Establishment ceiling 2006–07 (notional annual mid-point salary value) representing an estimated 219 non-directorate posts as at 31 March 2006 reducing by four posts to 215 posts as at 31 March 2007	\$67.1m
In addition, there will be an estimated eight directorate posts as at 31 March 2006 and as at 31 March 2007.	
Commitment balance	\$5.9m

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

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	116.8	130.3	112.8 (–13.4%)	131.0 (+16.1%)
				(or +0.5% on 2005–06 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 2005.

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

Targets

	Target processing time	2004 (Actual)	2005 (Actual)	2006 (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	2.5 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	2004 (Actual)	2005 (Actual)	2006 (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 dividends when the distribution is possible	9 months	99	100	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	80#	80#	90
holding meetings	12 weeks	83#	80#	90
bankruptcy cases making decision to hold meetings	12 weeks	97	97	100
holding meetings	16 weeks	98	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

@ The target processing time will be reduced from 3 hours to 2.5 hours as from 2006.

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

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
new cases	14 740	10 659	10 126
insolvency cases completed (i.e. release orders made by the Court), stayed or rescinded	4 545	4 033	4 033
cases put on release programme	2 229	2 419	3 209
cases on release programme at year end	1 941	3 101	4 979
cases put on small case programme	16 257	9 920	8 928
cases on small case programme at year end	37 014	44 181	50 407
average active case load per Insolvency Officer	446	418	385
cases put on adjudication programme	2 704	2 445	3 235
proofs of claim adjudicated	19 700	24 688	24 688

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	2004 (Actual)	2005 (Actual)	2006 (Estimate)
case with dividends declared	2 054	2 650	2 650
amount of dividends declared (\$m)	144	182	182
summons issued.....	383	443	400
meetings of creditors held.....	1 430	1 138	1 081
writs issued and other proceedings.....	30	23	30
non-remunerative cases (i.e. cases with assets less than \$50,000)	14 579	10 558	10 030
proportion of non-remunerative cases to new cases (%)	99	99	99

Matters Requiring Special Attention in 2006–07

6 During 2006–07, 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;
- 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.

7 In the light of the enactment of the Bankruptcy (Amendment) Ordinance 2005 for the outsourcing of summary debtor petition bankruptcy cases, ORO will proceed to seek the making of corresponding subsidiary legislation. Other recommendations arising from the consultancy study on the role and functions of ORO would be considered further as appropriate in the context of the evaluation of the implementation of outsourcing arrangements.

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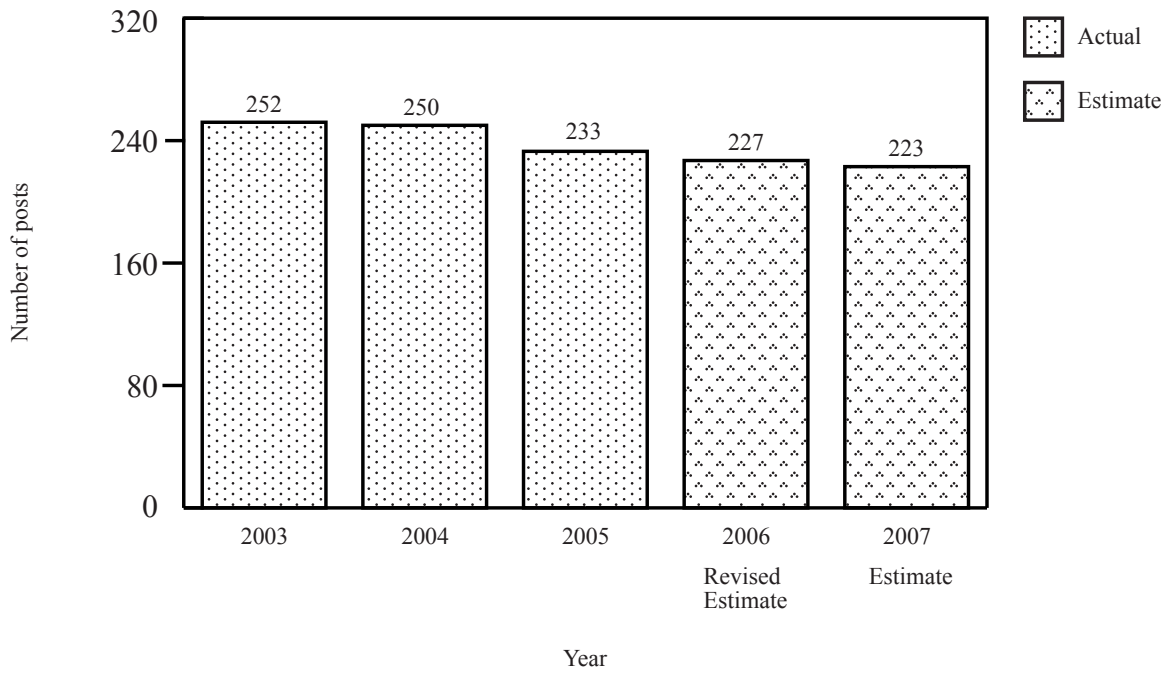
ANALYSIS OF FINANCIAL PROVISION

Programme	2004-05 (Actual) (\$m)	2005-06 (Original) (\$m)	2005-06 (Revised) (\$m)	2006-07 (Estimate) (\$m)
Official Receiver's Office	116.8	130.3	112.8 (-13.4%)	131.0 (+16.1%)
				(or +0.5% on 2005-06 Original)

Analysis of Financial and Staffing Provision

Provision for 2006-07 is \$18.2 million (16.1%) higher than the revised estimate for 2005-06. This is mainly due to the increased provision for meeting legal costs, employment of contract staff and anticipated payments in the contracting out of summary winding-up cases, and increased cash flow requirement for non-recurrent items, partly offset by the net deletion of four posts in 2006-07.

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



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Sub-head (Code)	Actual expenditure 2004-05	Approved estimate 2005-06	Revised estimate 2005-06	Estimate 2006-07	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	113,842	123,821	110,751	126,402
	Total, Recurrent.....	113,842	123,821	110,751	126,402
Non-Recurrent					
700	General non-recurrent.....	2,926	6,523	2,044	4,573
	Total, Non-Recurrent.....	2,926	6,523	2,044	4,573
	Total, Operating Account.....	116,768	130,344	112,795	130,975
	Total Expenditure.....	116,768	130,344	112,795	130,975

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Details of Expenditure by Subhead

The estimate of the amount required in 2006–07 for the salaries and expenses of the Official Receiver's Office is \$130,975,000. This represents an increase of \$18,180,000 over the revised estimate for 2005–06 and of \$14,207,000 over actual expenditure in 2004–05.

Operating Account

Recurrent

2 Provision of \$126,402,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Official Receiver's Office. The increase of \$15,651,000 (14.1%) over the revised estimate for 2005–06 is mainly due to the increased provision for meeting legal costs, employment of contract staff and anticipated payments in the contracting out of summary winding-up cases.

3 The establishment as at 31 March 2006 will be 227 permanent posts. It is expected that there will be a net deletion of four permanent posts in 2006–07. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2006–07, but the notional annual mid-point salary value of all such posts must not exceed \$67,141,000.

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

	2004–05 (Actual) (\$'000)	2005–06 (Original) (\$'000)	2005–06 (Revised) (\$'000)	2006–07 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	93,495	90,850	86,280	85,722
- Allowances	1,342	2,563	1,766	2,244
- Job-related allowances	—	2	2	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution	63	80	50	50
Departmental Expenses				
- Hire of services and professional fees	9,252	20,596	10,020	20,596
- General departmental expenses	9,690	9,730	12,633	17,788
	113,842	123,821	110,751	126,402

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2005	Revised estimated expenditure for 2005–06	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	4,581	1,000	2,955
	008	Conducting investigation and directors' disqualification proceedings in the C.A. Pacific Group of Companies.....	4,994	2,896	500	1,598
		Total	<u>23,530</u>	<u>16,067</u>	<u>1,520</u>	<u>5,943</u>