

Head 116 — OFFICIAL RECEIVER'S OFFICE

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

| | |
|---|-----------------|
| Estimate 2010–11 | \$138.6m |
| Establishment ceiling 2010–11 (notional annual mid-point salary value) representing an estimated 216 non-directorate posts as at 31 March 2010 rising by one post to 217 posts as at 31 March 2011 ... | \$76.3m |
| In addition, there will be an estimated eight directorate posts as at 31 March 2010 and as at 31 March 2011. | |
| Commitment balance | \$3.9m |

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

| | 2008–09 (Actual) | 2009–10 (Original) | 2009–10 (Revised) | 2010–11 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| Financial provision (\$m) | 114.7 | 140.9 | 122.0 (–13.4%) | 138.6 (+13.6%) |
| | | | | (or –1.6% on 2009–10 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 insolvency 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 bankrupts, 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 of insolvent companies.

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

Targets

| | Target processing time | 2008 (Actual) | 2009 (Actual) | 2010 (Plan) |
|--|---------------------------|------------------|------------------|----------------|
| 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 (%) | 2 working days | 100 | 100 | 100 |
| using computer terminal (%) | 1 hour | 100 | 100 | 100 |
| batch search (%) | 2 hours | 100 | 100 | 100 |
| applications for Certificate of Non-bankruptcy (%) | 2 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 |

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| | Target processing time | 2008 (Actual) | 2009 (Actual) | 2010 (Plan) |
|--|---|------------------|------------------|------------------------|
| request for copies of Statement of Affairs (%) | 3 working days | 100 | 100 | 100 |
| distribution of dividends completing procedures when the distribution is possible (%)..... | 9 months | 100 | 100 | 100 |
| sending dividend cheques by mail (%)..... | 5 working days | 100 | 100 | 100 |
| holding meetings of creditors in non-summary cases winding-up cases making decision to hold meetings (%) | 8 weeks | 85 | 79 | 90 |
| holding meetings (%)..... | 12 weeks | 90 | 75 | 90 |
| bankruptcy cases making decision to hold meetings (%) | 12 weeks | 98 | 98 | 98 |
| holding meetings (%)..... | 16 weeks | 99 | 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 |
| processing 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 |
| processing invoices including liquidators' bills and arranging payments (%)..... | 30 calendar days | 99 | 99 | 99 |
| putting summary cases with insufficient assets for distribution on release programme (%) | 12 months | 96 | 96 | 97 |

Indicators

| | 2008 (Actual) | 2009 (Actual) | 2010 (Estimate) |
|---|------------------|------------------|----------------------------|
| new cases..... | 11 247 | 16 730 | 13 546 |
| insolvency cases completed (i.e. release orders made by the Court), stayed or rescinded | 3 067 | 3 383 | 3 120 |
| cases put on release programme | 2 811 | 2 321 | 2 321 |
| cases on release programme at year end..... | 6 262 | 7 412 | 8 703 |
| cases put on small case programme..... | 8 656 | 8 500 | 8 500 |
| cases on small case programme at year end..... | 61 969 | 67 471 | 73 881 |
| average active case load per Insolvency Officer at year end ... | 413 | 427 | 466 |
| cases put on adjudication programme | 1 596 | 2 262 | 1 979 |
| proofs of claim adjudicated | 13 129 | 11 670 | 9 169 |
| cases with dividends declared | 2 012 | 1 927 | 1 514 |
| amount of dividends declared (\$m)..... | 135.6 | 103.5 | 81.3 |
| summons issued | 615 | 628 | 550 |
| meetings of creditors held | 1 359 | 2 048 | 1 634 |
| writs issued and other proceedings..... | 23 | 21 | 20 |
| non-remunerative cases (i.e. cases with assets of not more than \$50,000)..... | 11 135 | 16 393 | 13 275 |
| proportion of non-remunerative cases to new cases (%) | 99 | 98 | 98 |

Matters Requiring Special Attention in 2010–11

5 During 2010–11, the ORO will continue to:

- implement the scheme to contract out summary liquidation cases (each with estimated realisable assets of not more than \$200,000) to 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 practitioners in the private sector;
- implement the scheme for outsourcing preliminary examination of bankrupts to practitioners in the private sector;
- implement the scheme to outsource a certain number of debtor-petition summary bankruptcy cases (each with estimated realisable assets of not more than \$200,000) to practitioners in the private sector;
- 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.

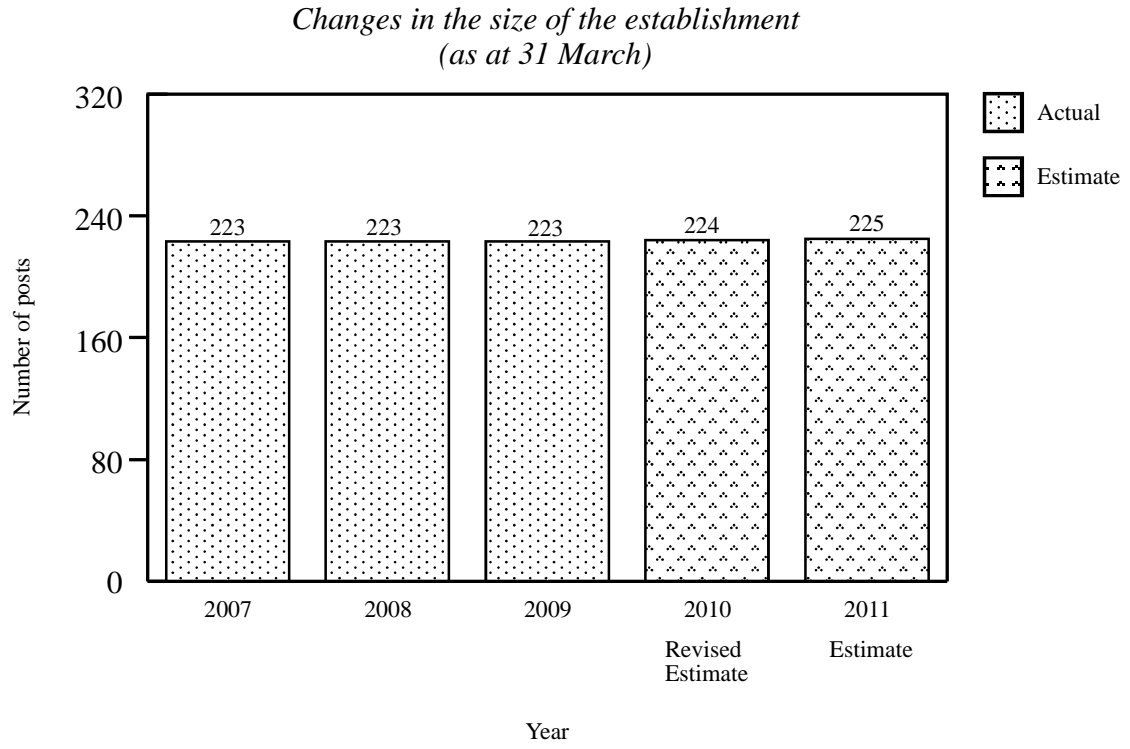
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ANALYSIS OF FINANCIAL PROVISION

| Programme | 2008-09 (Actual) (\$m) | 2009-10 (Original) (\$m) | 2009-10 (Revised) (\$m) | 2010-11 (Estimate) (\$m) |
|---------------------------------|---------------------------------------|---|--|---|
| Official Receiver's Office..... | 114.7 | 140.9 | 122.0 (-13.4%) | 138.6 (+13.6%) |
| | | | | (or -1.6% on 2009-10 Original) |

Analysis of Financial and Staffing Provision

Provision for 2010-11 is \$16.6 million (13.6%) higher than the revised estimate for 2009-10. This is mainly due to the increased provision for anticipated payments in the contracting out of summary winding-up cases, the creation of one post for introducing a statutory corporate rescue procedure in Hong Kong and preparing relevant legislative proposals, filling of vacancies and salary increments for staff, partly offset by the full-year effect of the 2009 pay adjustment and the reduced requirement for non-recurrent items.



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| Sub-head (Code) | Actual expenditure 2008-09 | Approved estimate 2009-10 | Revised estimate 2009-10 | Estimate 2010-11 | |
|--------------------------|----------------------------------|---------------------------------|--------------------------------|-----------------------------|------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Operating Account | | | | | |
| Recurrent | | | | | |
| 000 | Operational expenses..... | 114,253 | 140,344 | 121,383 | 138,424 |
| | Total, Recurrent..... | <u>114,253</u> | <u>140,344</u> | <u>121,383</u> | <u>138,424</u> |
| Non-Recurrent | | | | | |
| 700 | General non-recurrent..... | 416 | 510 | 600 | 153 |
| | Total, Non-Recurrent..... | <u>416</u> | <u>510</u> | <u>600</u> | <u>153</u> |
| | Total, Operating Account | 114,669 | 140,854 | 121,983 | 138,577 |
| <hr/> | | | | | |
| | Total Expenditure..... | <u><u>114,669</u></u> | <u><u>140,854</u></u> | <u><u>121,983</u></u> | <u><u>138,577</u></u> |

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Details of Expenditure by Subhead

The estimate of the amount required in 2010–11 for the salaries and expenses of the Official Receiver's Office is \$138,577,000. This represents an increase of \$16,594,000 over the revised estimate for 2009–10 and of \$23,908,000 over actual expenditure in 2008–09.

Operating Account

Recurrent

2 Provision of \$138,424,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Official Receiver's Office. The increase of \$17,041,000 (14.0%) over the revised estimate for 2009–10 is mainly due to the increased provision for anticipated payments in the contracting out of summary winding-up cases, creation of one post, filling of vacancies and salary increments for staff.

3 The establishment as at 31 March 2010 will be 224 permanent posts. It is expected that there will be an increase of one post in 2010–11. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2010–11, but the notional annual mid-point salary value of all such posts must not exceed \$76,333,000.

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

| | 2008–09 (Actual) (\$'000) | 2009–10 (Original) (\$'000) | 2009–10 (Revised) (\$'000) | 2010–11 (Estimate) (\$'000) |
|---|---------------------------------|-----------------------------------|----------------------------------|--|
| Personal Emoluments | | | | |
| - Salaries..... | 91,369 | 96,267 | 93,665 | 95,500 |
| - Allowances..... | 798 | 910 | 817 | 958 |
| - Job-related allowances | — | 2 | 2 | 2 |
| Personnel Related Expenses | | | | |
| - Mandatory Provident Fund contribution..... | 79 | 156 | 202 | 265 |
| - Civil Service Provident Fund contribution..... | 41 | 43 | 43 | 45 |
| Departmental Expenses | | | | |
| - Hire of services and professional fees..... | 7,230 | 25,657 | 8,188 | 20,627 |
| - General departmental expenses..... | 14,736 | 17,309 | 18,466 | 21,027 |
| | 114,253 | 140,344 | 121,383 | 138,424 |

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Commitments

| Sub-head (Code) | Item (Code) | Ambit | Approved commitment | Accumulated expenditure to 31.3.2009 | Revised estimated expenditure for 2009–10 | 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 | 8,757 | 400 | 843 |
| | 006 | Conducting investigation and directors' disqualification proceedings in the Peregrine Group of Companies..... | 8,536 | 5,279 | 200 | 3,057 |
| | | Total..... | <u>18,536</u> | <u>14,036</u> | <u>600</u> | <u>3,900</u> |