

Head 116 — OFFICIAL RECEIVER'S OFFICE

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

Estimate 2016–17	\$190.6m
Establishment ceiling 2016–17 (notional annual mid-point salary value) representing an estimated 234 non-directorate posts as at 31 March 2016 and as at 31 March 2017.....	\$111.3m
In addition, there will be an estimated eight directorate posts as at 31 March 2016 and as at 31 March 2017.	
Commitment balance.....	\$1.1m

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

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	2016–17 (Estimate)
Financial provision (\$m)	149.8	154.4	158.9 (+2.9%)	190.6 (+19.9%)
				(or +23.4% on 2015–16 Original)

Aim

2 The aim is to administer the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) relating to the compulsory winding-up of companies and the Bankruptcy Ordinance (Cap. 6) 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 or 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	2014 (Actual)	2015 (Actual)	2016 (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

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	Target processing time	2014 (Actual)	2015 (Actual)	2016 (Plan)
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 (%).....	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	93	90	90
holding meetings (%).....	12 weeks	89	85	90
bankruptcy cases				
making decision to hold meetings (%).....	12 weeks	98	99	98
holding meetings (%).....	16 weeks	99	98	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	99	99	97

Indicators

	2014 (Actual)	2015 (Actual)	2016 (Estimate)
new cases.....	9 945	10 055	9 856
insolvency cases completed (i.e. release orders made by the Court), stayed or rescinded#.....	37 137	15 321	7 007
cases put on release programme.....	1 747	2 104	2 104
cases on release programme at year end#.....	5 103	1 906	1 615
cases put on small case programme.....	4 504	4 616	4 616
cases on small case programme at year end.....	25 885	20 133	20 137
average active in-house case load per Insolvency Officer at year end.....	166	152	179
average active non in-house case load per Insolvency Officer at year end.....	517	605	638
cases put on adjudication programme.....	1 048	1 019	1 025
proofs of claim adjudicated.....	3 953	4 283	4 283
cases with dividends declared.....	1 023	1 079	1 079
amount of dividends declared (\$m).....	85.2	117.4	117.4
summons issued.....	634	803	710
meetings of creditors held.....	2 140	2 893	2 840
writs issued and other proceedings.....	13	10	11

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	2014 (Actual)	2015 (Actual)	2016 (Estimate)
non-remunerative cases (i.e. cases with assets of not more than \$50,000).....	9 683	9 975	9 777
proportion of non-remunerative cases to new cases (%)	97	99	99

Between July 2012 and March 2015, ORO set up a dedicated team to process release applications in cases accumulated over the years. As a result, the number of cases completed increased in 2014 and 2015.

Matters Requiring Special Attention in 2016–17

5 During 2016–17, the ORO will:

- implement the new non-commencement regime under the Bankruptcy Ordinance,
- continue to provide support for the Financial Services and the Treasury Bureau in preparing legislation for improving the corporate insolvency regime as well as formulating legislative proposals for a statutory corporate rescue procedure and insolvent trading,
- 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,
- 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 practitioners in the private sector,
- continue to implement the scheme for outsourcing preliminary examination of bankrupts to practitioners in the private sector,
- continue to 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,
- continue to encourage greater use of individual voluntary arrangements by debtors as an alternative to bankruptcy,
- continue to closely review existing targets of performance pledges and determine any new areas for improvement in consultation with the ORO's Service Advisory Committee,
- continue to review the operational procedures in the ORO with a view to improving efficiency and productivity, and
- continue to explore the long-term information technology strategy.

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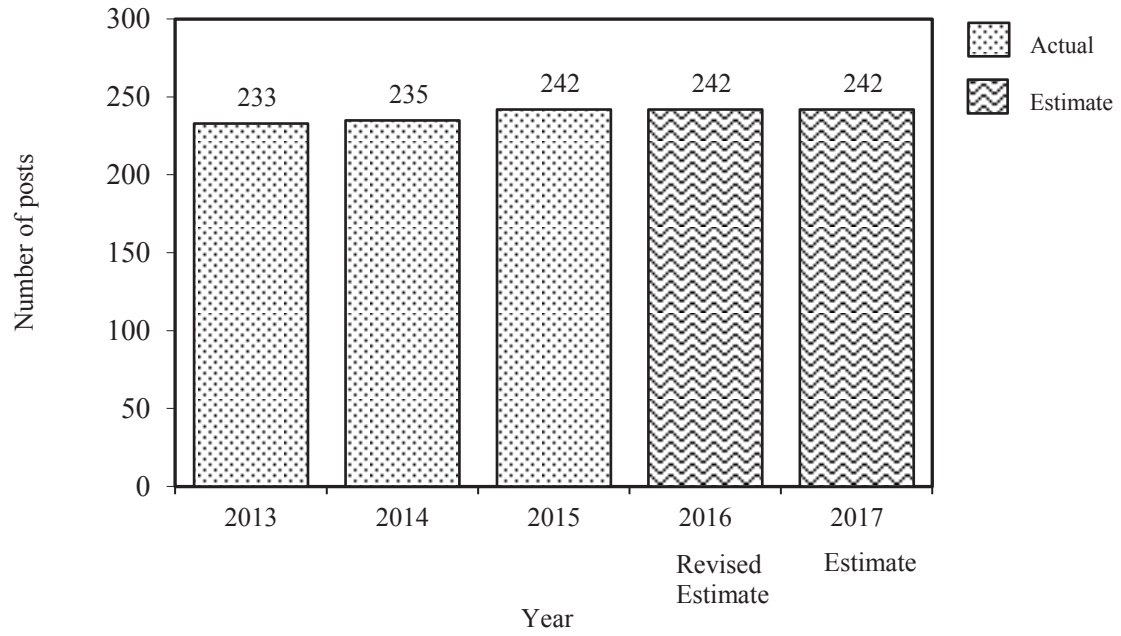
ANALYSIS OF FINANCIAL PROVISION

Programme	2014-15 (Actual) (\$m)	2015-16 (Original) (\$m)	2015-16 (Revised) (\$m)	2016-17 (Estimate) (\$m)
Official Receiver's Office	149.8	154.4	158.9 (+2.9%)	190.6 (+19.9%)
				(or +23.4% on 2015-16 Original)

Analysis of Financial and Staffing Provision

Provision for 2016-17 is \$31.7 million (19.9%) higher than the revised estimate for 2015-16. This is mainly due to the increased provision for filling of vacancies, salary increments for staff, provision for possible return of interest in respect of some liquidation cases and the full-year effect of renting storage spaces which commenced in the second half of 2015-16.

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



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Sub-head (Code)	Actual expenditure 2014-15	Approved estimate 2015-16	Revised estimate 2015-16	Estimate 2016-17	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	149,824	154,313	158,858	190,522
	Total, Recurrent.....	<u>149,824</u>	<u>154,313</u>	<u>158,858</u>	<u>190,522</u>
Non-Recurrent					
700	General non-recurrent	—	60	—	60
	Total, Non-Recurrent.....	<u>—</u>	<u>60</u>	<u>—</u>	<u>60</u>
	Total, Operating Account	149,824	154,373	158,858	190,582
	Total Expenditure	<u>149,824</u>	<u>154,373</u>	<u>158,858</u>	<u>190,582</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2016–17 for the salaries and expenses of the Official Receiver's Office is \$190,582,000. This represents an increase of \$31,724,000 over the revised estimate for 2015–16 and \$40,758,000 over the actual expenditure in 2014–15.

Operating Account

Recurrent

2 Provision of \$190,522,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Official Receiver's Office. The increase of \$31,664,000 (19.9%) over the revised estimate for 2015–16 is mainly due to the increased provision for filling of vacancies, salary increments for staff, provision for possible return of interest in respect of some liquidation cases and the full-year effect of renting storage spaces which commenced in the second half of 2015–16.

3 The establishment as at 31 March 2016 will be 242 permanent posts. No change in establishment is expected in 2016–17. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2016–17, but the notional annual mid-point salary value of all such posts must not exceed \$111,251,000.

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

	2014–15 (Actual) (\$'000)	2015–16 (Original) (\$'000)	2015–16 (Revised) (\$'000)	2016–17 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	116,784	120,480	124,500	129,940
- Allowances.....	2,233	2,308	2,296	2,759
- Job-related allowances.....	—	2	2	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	515	571	511	458
- Civil Service Provident Fund contribution.....	2,328	3,611	3,540	4,386
Departmental Expenses				
- Hire of services and professional fees	3,910	4,715	4,985	2,836
- General departmental expenses	24,054	22,626	23,024	50,141
	149,824	154,313	158,858	190,522

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2015	Revised estimated expenditure for 2015–16	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	8,921	—	1,079
		Total	<u>10,000</u>	<u>8,921</u>	<u>—</u>	<u>1,079</u>