

# 10 Annual Budget Review 2007- 08

## 10.1 Overview

Total expenditure of SBP and its subsidiaries are classified into three broad categories, namely corporate expenses, establishment expenses and operating expenses. A brief comparison of actual versus budgeted expenditures of the SBP and its subsidiaries is given in **Figure 10.1** and **Table 10.1**.

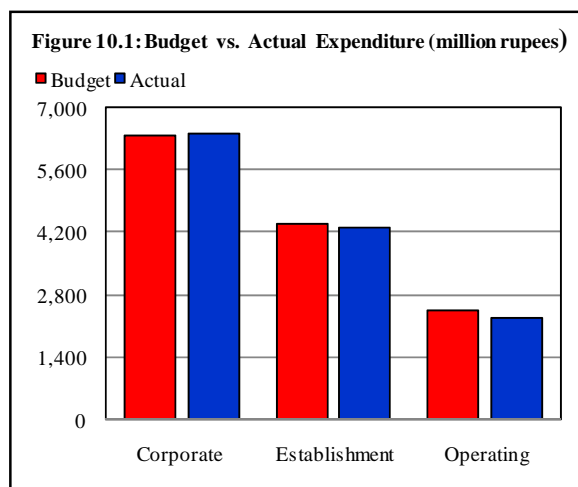
The relative size of each of these heads in total expenditure is shown in **Table 10.2**.

As indicated below, on overall basis, the total consolidated expenditure of SBP and its subsidiaries amounted to Rs. 12, 970 million against budget of Rs. 13, 198 million thus showing positive variance of Rs. 228 million i.e.1.7 percent. The variance of actual results against budget, in term of three major heads is as under:

The above position indicates that actual results exhibit a positive variance from the budget.

## 10.2 Corporate Expenses

Corporate expenses of the Bank comprise of three components i.e., agency commission to



**Table 10.1: SBP Annual Review for FY 2007-08**

(Rs in million)

S.N.	Head of Account	Consolidated			
		Budget	Actual*	Variance	Variance % age
1	Corporate	6,363	6,395	-32	-0.5
2	Establishment	4,393	4,301	92	2.1
3	Operating	2,442	2,274	168	6.9
<b>Grand Total</b>		<b>13,198</b>	<b>12,970</b>	<b>228</b>	<b>1.7</b>

\* Excluding expenditure on retirement benefits and other non budgetary provisions

**Table 10.2: Breakup of Revenue Expenditure during FY08**

Description	Budget	Actual
Corporate	48	49
Establishment	33	33
Operating	19	18
<b>Total</b>	<b>100</b>	<b>100</b>

**Table 10.3: Head wise Variance of Actual from Budget (percentage)**

Description	Budget
Corporate	(-) 0.5
Establishment	(+) 2.1
Operating	(+) 6.9
<b>Total</b>	<b>(+) 1.7</b>

National Bank of Pakistan (NBP), currency notes printing charges and charges on allocation of Special Drawing Rights (SDRs) of IMF. Head wise analysis of corporate expenses is given as under:

- 1. Agency Commission Charges:** Agency commission charges are paid to National Bank of Pakistan on account of Government transactions and remittances on behalf of SBP as per agency agreement. Agency commission exhibit a negative variance of Rs. 40 million i.e., 1.5 percent due to enhanced volume of government transactions.

2. **Currency notes printing charges:** Negative variance of Rs. 105 million i.e. 3.5 percent has been witnessed in note printing charges, attributable to the quantity and price variances of (Rs. 224) million and Rs. 119 million respectively.
3. **Charges on Allocation of SDRs:** The charges on allocation of SDRs resulted in positive variance of Rs.113 million i.e., 16.1 percent represents lower rate of SDR charges offset by higher exchange rate amounts to Rs. 157 million and Rs. 44 million respectively.

In corporate expenses, negative variance in “Note Printing Charges” and “Agency Commission Charges” were to a large extent offset by the positive variance in “Charges on Allocation of SDRs”. Consequently overall variance in “Corporate Expenses” resulted in overall negative variance of Rs. 32 million i.e. 0.5 percent.

### **10.3 Establishment Expenses**

Establishment expenses include employees’ salaries, benefits and training expenditure. The establishment expenditure showed positive variance of Rs. 92 million i.e. 2.1 percent. The positive variance is mainly attributable to delay in recruitment of new employees.

### **10.4 Operating Expenses**

Operating expenses include rent, rates and taxes, legal and professional charges, stationery and publications, communication, traveling expenditure, repair and maintenance, depreciation etc. including NIBAF. On overall basis, operating expenses have shown positive variance of Rs.168 million i.e., 6.9 percent owing primarily to lower expenses in legal fee, EDP maintenance, communication and depreciation as against the budgeted amount.