

11 Annual Budget Review

2009-10

11.1 Overview

Total expenditures 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 11.1** and **Table 11.1**.

The relative size of each of these heads in total expenditures is shown in **Table 11.2**.

The total consolidated expenditure of SBP and its subsidiaries amounted to Rs 23,577 million against budget of Rs 21,612 million; showing negative variance of Rs 1,965 million or 9.1 percent. The variance of actual results against budget, in terms of major heads is shown in **Table 11.3**.

11.2 Corporate Expenses

Corporate expenses of the Bank comprise three components, i.e., agency commission to National Bank of Pakistan (NBP), currency notes printing charges, and charges on allocation of Special Drawing Rights (SDRs) of IMF. Head- wise

Fig.11. 1 Budget vs. Actual Expenditure (million rupees)

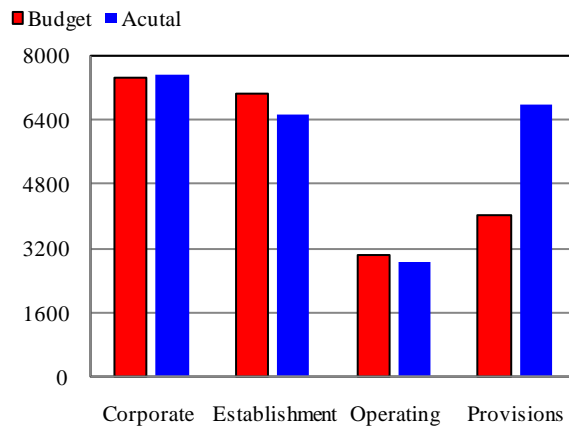


Table 11.1: SBP Annual Review for FY10

(Rs in million)

S.N.	Head of Account	Consolidated			
		Budget	Actual	Variance	Variance % age
1	Corporate	7,453	7,518	-65	-0.9
2	Establishment	7,063	6,507	556	7.9
3	Operating	3,049	2,807	242	7.9
4	Provisions	4,047	6,745	-2,698	-66.7
Grand Total		21,612	23,577	-1,965	-9.1

Table 11.2: Breakup of Revenue Expenditure during FY10

Description	Budget	Actual
Corporate	34	32
Establishment	33	28
Operating	14	12
Provisions	19	28
Total	100	100

Table 11.3: Head wise Variance of Actual from Budget (percentage)

Description	Budget
Corporate	- 0.9
Establishment	7.9
Operating	7.9
Provisions	-66.7
Total	- 9.1

analysis of corporate expenses is given **Table 11.3**:

- 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 exhibits a negative variance of Rs 241 million or 6.4 percent due to enhanced volume of government transactions.

2. **Currency notes printing charges.** Positive variance of Rs 241 million or 6.9 percent has been witnessed in note printing charges, attributable to the price variance.
3. **Charges on Allocation of SDRs.** The charges on allocation of SDRs resulted in negative variance of Rs 65 million, or 30.5 percent, mainly due to higher exchange rate (Rs 16) million and increase in allocation (Rs 223) million which is partially offset by lower rate of SDR charges Rs 174 million.

In corporate expenses, negative variance in 'Agency Commission Charges' and 'Charges on Allocation of SDRs' were to a large extent offset by the positive variance in 'Note Printing Charges'. Consequently overall variance in 'Corporate Expenses' resulted in overall negative variance of Rs 65 million or 0.9 percent.

11.3 Establishment Expenses

Establishment expenses include employees' salaries, medical, benefits, and training expenditures. The establishment expenditures showed positive variance of Rs 556 million or 7.9 percent. The positive variance is mainly attributable to delay in recruitment of new employees.

11.4 Operating Expenses

Operating expenses include rent, rates and taxes, legal and professional charges, stationery and publications, communication, traveling expenditure, repair and maintenance, depreciation, including NIBAF. On overall basis, operating expenses have shown positive variance of Rs 242 million or 8.6 percent owing primarily to lower expenses in legal and professional charges, EDP maintenance, depreciation, repair and maintenance, traveling expenditures, and misc expenses, as against the budgeted amount.

11.5 Provisions

Provisions include allocations for staff retirement benefits, agriculture bonafied losses and other miscellaneous expenses. Actual provisions recorded against budgetary allocation have shown negative variance of Rs 2,698 million or 66.7 percent owing primarily to staff retirement benefits. Provision for staff retirement benefits is based as per actuarial advice; however, negative variance is attributable to subsequent changes in the salaries and compensation during the year.