

Management of the Reserve Bank

Operating Costs

In 2010/11 the Reserve Bank's business initiatives were focused on enhancing settlement systems, and migrating banking and currency systems to alternative platforms that will be better supported in the years ahead. This included the upgrade of network connections for the Community of Interest Network (COIN), and the commencement of projects to transfer existing legacy systems to new IT infrastructure.

The modernisation of the RBA's human resources system was completed during the year, streamlining administrative processes by making more staff-related services available electronically. A similar programme of work to modernise financial administrative systems has commenced. In most cases, additional staff have been hired on a temporary basis to assist with this work. In commemoration of the Bank's 50th Anniversary, the Research Library was also refurbished and re-opened as the A.S. Holmes Library in November 2010.

Operating costs increased by about 4.1 per cent over the last financial year, to \$234.1 million. More than half of this expenditure is associated with the implementation of monetary and payments system policies, and a quarter is related to the provision of banking and settlement services. About 15 per cent arises from the issuance of banknotes.

Expenditure on staff continues to be the largest category of operating expenses, with salaries and allowances, on-costs and other staff-related costs accounting for around 63 per cent of total spending in 2010/11. Staff redundancies related to the restructure of departments to meet changing business requirements, and to improve the efficiency of operations, resulted in payments of \$1.3 million.

Operating Costs^(a) \$ million

	2006/07	2007/08	2008/09	2009/10	2010/11
Staff costs	110.2	119.1	132.6	141.6	148.1
Other costs	74.7	77.2	82.8	83.3	86.0
Underlying operating costs	184.9	196.3	215.4	224.9	234.1
Cost of redundancies	0.2	0.2	2.0	0.5	1.3

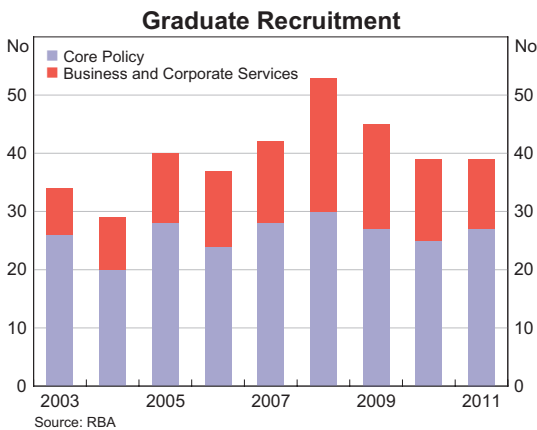
(a) Costs associated with the ongoing operation of the Reserve Bank, excluding NPA

Our People

The Reserve Bank is able to discharge its responsibilities effectively because of the high quality of people in its employ. As at the end of June 2011, the total number of employees at the Bank was 1 010, which was largely unchanged from the previous year. Most employees are located at the Reserve Bank's Head Office. Just over 5 per cent work at the Bank's Business Resumption Site, reflecting the Bank's ongoing focus on risk management and contingency planning. A further 5 per cent are located elsewhere in Australia – at the Bank's Canberra Branch and in the State Offices in Adelaide, Brisbane, Melbourne and Perth. Some Bank staff are also located at Note Printing Australia Limited (NPA) in Craigieburn, where they undertake banknote research & development,

counterfeit examination and facility-management functions. (The staff of NPA itself are not employees of the Bank.) Staff in the State Offices assist in the Bank's monitoring of economic and financial developments across the country, liaise with individual firms and agencies in both the public and private sectors, and provide a vehicle for communicating the operation of monetary policy to the wider community. The Bank also maintains a presence in London and New York as part of its foreign exchange reserves management and financial market analysis.

The Reserve Bank recruited 121 people over the past financial year. Thirty-nine graduates, representing about one-third of all new employees, began the Reserve Bank's two-year Graduate Development Program. The trend to a higher representation of recruits from fields other than economics and finance continued, with areas such as law, accounting and information technology well represented. A number of these graduates are working in the Bank's business and corporate services areas as well as those covering the core policy functions.



The Bank's cadetship scheme has been particularly effective as a recruitment vehicle. The program provides two months of work experience, before the university honours year begins, for high-potential students who have completed three years of undergraduate study. The program provides financial support during the honours year for those who accept a place on the next Graduate Development Program. In 2010/11, 23 per cent of the new graduates had previously been cadets.

The Reserve Bank employed 15 staff under the Australian Government's traineeship scheme. The scheme is designed to assist those without post-secondary qualifications to enter the workforce, with formal training (and accreditation) part of the

program. An important aspect of the program is ensuring that the applicant pool includes individuals with disabilities and those from Aboriginal and Torres Strait Islander (ATSI) backgrounds. Since the commencement of the Bank's participation in the scheme in 1991, 30 ATSI recruits have participated in this training.

The majority of Reserve Bank staff are employed on individual contracts, which provide flexibility in awarding remuneration based on performance and market relativities. Independent consultants are engaged to ensure that remuneration policies are consistent with market practice. The terms of employment for the minority of staff not employed on individual contracts continue to be determined by the Reserve Bank's Workplace Agreement. The Bank provided for a 3.5 per cent salary increase in 2010/11 for staff covered by the Agreement, with scope for a modest additional payment in recognition of good performance. Staff on individual contracts received, on average, a salary increase comparable to those on the Workplace Agreement.

The Reserve Bank supports continuous professional development, with the aim of ensuring that employees continue to improve their skills, knowledge and experience to enable the Bank to pursue its objectives to the expected standard. This takes a number of forms, including financial support for employees undertaking part-time study in disciplines related to their work and for full-time, postgraduate study at universities in Australia and overseas. Other training is provided on the job, through formal courses and, for a limited number of staff, through attachments to other organisations. Over the past year, for example, the Bank has had staff on secondment with the Departments of the Commonwealth Treasury and Prime Minister and Cabinet, the International Monetary Fund, the Bank for International Settlements and the Federal Reserve Bank of New York. At the same time, the Bank has hosted secondees from the Federal Reserve Bank of New York, the Bank of England, the Sveriges Riksbank, the Commonwealth Treasury and the West Australian Treasury.

Facilities

The Reserve Bank owns premises in locations where there is a business need to do so, including its Head Office building in Sydney, a conference/training centre in Kirribilli, Sydney, office buildings in Melbourne and Canberra, the NPA facility at Craigieburn north of Melbourne, and the Business Resumption Site in outer Sydney. In addition to the buildings it owns, the Bank leases accommodation for its State Offices in Adelaide, Brisbane and Perth – where its requirements for space are quite small – and for its offices in London and New York.

The value of the Reserve Bank's property assets increased by \$3.9 million to \$315.9 million in 2010/11, reflecting the overall improvement in the Australian commercial property market. Surplus accommodation in these properties is leased to external tenants; gross income from these leases amounted to \$7.3 million in 2010/11.

During the year, the Reserve Bank continued to strengthen the resilience of facilities supporting critical operations. At Head Office, this involved upgrading the mechanical infrastructure with more reliable and efficient chillers for the building's air-conditioning plant. In Melbourne, mechanical and electrical infrastructure works were completed to improve the auxiliary power system. Interior upgrade works were also completed to enhance and update lift lobbies and other public areas consistent with the building code. At the Craigieburn facility, mechanical works to upgrade and replace air-conditioning plant were completed to enhance system resilience further and meet the operational needs of NPA.

Environmental Management

The Reserve Bank is committed to improving the environmental performance of its operations. The Environmental Management Committee within the facilities management function has developed relevant policies. An Environmental Management System (EMS) aims to reduce the impact of the Bank's operations on the environment through the following initiatives:

- reducing energy, water and paper consumption;
- increasing the recycling of paper, co-mingled waste and printing cartridges;
- adopting environmentally sustainable designs for office fit-outs;
- use of 50/50 recycled paper; and
- greater use of fuel-efficient vehicles.

During the year, electricity and water sub-meters were progressively installed throughout the Reserve Bank's buildings; energy-saving measures were implemented for PC monitors and photocopiers; and the Bank continues to meet relevant government guidelines on emissions for its fleet of vehicles.

The Reserve Bank continues to measure the impact of its environmental initiatives. NPA's print works at Craigieburn accounts for a high proportion of the Bank's total energy use as well as water consumption and waste. While NPA has undertaken a number of initiatives on trade waste and the recycling of water in the printing process, energy and water use and waste products still fluctuate largely according to the plant's operating rate. Use of electricity, gas and water at NPA rose significantly in 2010/11, as did waste products, mainly in response to a large increase in production. Reflecting the ongoing effects of earlier initiatives, however, the use of electricity remains 5 per cent – and water 11 per cent – below their respective levels in 2006/07.

As for the Reserve Bank's mainstream activities, use of electricity fell by 2 per cent and gas consumption was unchanged in 2010/11. Water consumption rose by 2 per cent, reflecting work associated with installing and testing new, more energy-efficient air-conditioning plant at the offices in Sydney and Melbourne. This plant is

expected to reduce energy and water use in future years. The volume of waste products fell by 8 per cent, although the proportion recycled fell slightly. There was also a reduction in paper use of 7 per cent per employee, with 86 per cent of paper 50/50 recycled, similar to 2009/10.

Consultancies

The Reserve Bank employs outside contractors and professional service providers to carry out specific tasks where necessary and also, from time to time, uses consultants. In 2010/11, the following major consultancies were undertaken across the Bank.

Consultancies^(a) 2010/11

Consultant	Cost (\$) ^(b)	Purpose
Blackthorn Heuristics and Qualia Sensory Consulting	17 500	Literature review and experimental proposals on tactile perception of banknotes
PricewaterhouseCoopers	60 000	Remuneration benchmarking review
Cato Counsel	24 945	Advice on public communication

(a) Costing \$10 000 or more

(b) Excluding GST