

Management of the Reserve Bank

Operating Costs

Most of the Reserve Bank's operating costs are incurred in pursuing its objectives in the areas of monetary policy and financial stability, from its operational responsibilities in banking and settlements, and in providing currency securely to the Australian community. Specific new initiatives in 2011/12 included establishing a representative office in Beijing in late 2011, to provide enhanced monitoring of economic and financial conditions in China. In addition, there were new business initiatives around enhancing banking and currency systems to ensure that business requirements continue to be met, and in order to improve customer access to these systems. The Bank also began managing some new services for Australian government agencies, which adds to costs but will deliver additional revenue as well. Work health and safety systems were strengthened, especially around risk controls and hazard management, partly in response to new legislative requirements resulting from the introduction of the *Work Health and Safety Act 2011* (WHS Act) on 1 January 2012. The program of upgrading the Bank's financial and administrative systems also continued. Total operating costs, including the program of new initiatives, rose by 5.6 per cent in 2011/12.

Staff costs continue to represent the single largest operating expense for the Reserve Bank, accounting for around 63 per cent of costs in 2011/12. Changing business requirements and efficiency improvements in certain areas led to higher costs of staff redundancies in 2011/12.

Operating Costs^(a) \$ million

	2007/08	2008/09	2009/10	2010/11	2011/12
Staff costs	119.1	132.6	141.6	148.1	156.7
Other costs	77.2	82.8	83.3	86.0	90.4
Underlying operating costs	196.3	215.4	224.9	234.1	247.1
Cost of redundancies	0.2	2.0	0.5	1.3	1.9

(a) Costs associated with the ongoing operation of the Reserve Bank, excluding Note Printing Australia

Almost half of the Reserve Bank's expenditure arises from activities linked to its responsibilities for formulating and implementing monetary policy, while a little more than 10 per cent derives from its responsibilities for the payments system and financial system stability. About a quarter of costs are incurred in providing banking and payment settlement services, including provision of transactional banking services to agencies of the Australian Government and operating the real-time interbank settlement system. Around 15 per cent of costs are related to issuance and distribution of banknotes.

Composition of Operating Costs Per cent

	2011/12
Monetary Policy	45
Financial and Payment System Stability	11
Banking and Payment Settlement Services	28
Currency	16

Our People

Over the year to June 2012, the total number of employees at the Reserve Bank increased by 41 to 1 051, a rise of 4.1 per cent. The increase in staff numbers was concentrated in the business and support areas of the Bank and primarily reflected preliminary work to upgrade banking systems. Most employees are located at the Reserve Bank's Head Office in Sydney. Just over 5 per cent of the Bank's workforce works at the Bank's Business Resumption Site in outer Sydney, 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 in Craigieburn, Melbourne, where they undertake banknote research and development, counterfeit examination and facility management functions. (The staff of Note Printing Australia 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 Bank's recently established office in Beijing is staffed by one appointment from Head Office and one locally engaged employee.

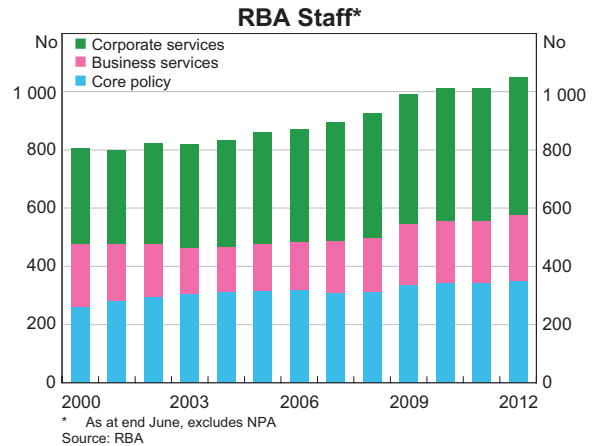
The Reserve Bank's single largest recruitment exercise continues to be the Graduate Development Program. Thirty-three graduates began the Program this year, accounting for around one-quarter of the Bank's annual recruitment. This share has fallen from one-third last year as the number of people hired on fixed-term contracts to work on Bank projects has increased.

The Reserve Bank's cadetship scheme continues to prove 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 2011/12, 40 per cent of the new graduates had previously been cadets.

The Reserve Bank also employed 15 staff under its traineeship scheme. The scheme is designed to assist those without qualifications to enter the workforce, with formal training (and accreditation) forming part of the program.

The Reserve Bank strives to offer a total remuneration package that attracts and engages high-calibre employees. Independent consultants are engaged to ensure that remuneration policies are consistent with market practice. The Bank negotiated a new Workplace Agreement during the year, which provided for a 3.5 per cent salary increase in 2011/12 for the staff it covers, with scope for a modest additional payment in recognition of good performance. Staff on individual contracts received, on average, a salary increase comparable to that in the Workplace Agreement.

The Reserve Bank provides opportunities for staff to engage in continuous professional development with employer support. 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 Commonwealth Departments of the Treasury and Prime Minister and Cabinet, the International Monetary Fund, the Bank for International Settlements, the Bank of England, the Bank of Canada and the Reserve Bank of Tonga. 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 Australian Prudential Regulation Authority (APRA) 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 Note Printing Australia 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, New York and Beijing.

The value of the Reserve Bank's property assets increased by \$0.5 million to \$316.4 million in 2011/12. Surplus accommodation in these properties is leased to external tenants; gross income from these leases amounted to \$8.0 million in 2011/12.

During the year, the Reserve Bank continued to strengthen the resilience of facilities supporting critical operations. In Melbourne, the auxiliary power generator system was upgraded, ensuring greater reliability in the event of interruptions to the mains supply. A similar upgrade is under way in Head Office and is due for completion at the end of 2012. A program to upgrade the Head Office's hydraulic systems also commenced during the year. The Canberra Branch was refurbished and building services upgraded, significantly improving reliability and energy efficiency. At the Craigieburn facility, the electrical sub-mains were upgraded to ensure greater reliability and adequate electrical supply for future needs.

Environmental Management

The Reserve Bank is committed to improving the environmental performance of its operations. The Environmental Management Committee (EMC) within the facilities management function of the Bank has developed policies that are consistent with the principles of Ecologically Sustainable Development as set out in the *Environment Protection and Biodiversity Conservation Act 1999*. These policies aim to reduce the impact of the Bank's operations on the environment and include 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
- greater use of fuel-efficient vehicles.

Significant improvements were achieved during the year in review in energy and water use for most of the Reserve Bank's facilities. This reflects the ongoing results of earlier initiatives and greater emphasis on sustainability and the monitoring of energy and water use. In Head Office, there were reductions in electricity consumption of around 8 per cent and in gas consumption of around 18 per cent, reflecting new operating practices. Smaller reductions were recorded in other sites, with the biggest user of energy – Craigieburn –

achieving a reduction in electricity consumption of around 7 per cent. Water consumption was reduced across the Bank's facilities by 3 per cent; the largest reduction was achieved in Head Office, with a decline of around 14 per cent.

The volume of waste produced by the Reserve Bank fell by 25 per cent during the year, mainly owing to lower production levels at Craigieburn. As a result, the proportion of recycled waste fell slightly. The acquisition of hybrid and diesel vehicles for the pool fleet is another initiative that is helping to reduce the Bank's overall environmental impact.

The Reserve Bank's EMC will continue to set targets to facilitate further reductions in energy and water consumption, and it is also pursuing opportunities already identified to reduce gas and electricity consumption further.

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. Consultants are engaged where the Bank lacks specialist expertise or when independent research, review or assessment is required. Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined reviews or evaluations; or provide independent advice or information to assist in the Bank's decision-making. Prior to engaging consultants, the Bank takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise.

Spending on consultancies over the past five years is shown below.

Spending on Consultancies^(a)

	\$
2007/08	260 000
2008/09	63 000
2009/10	61 000
2010/11	102 000
2011/12	535 000

(a) Sum of individual consultancies that cost \$10 000 or more (excluding GST)

In 2011/12, the largest expenditure on consultants was for advice on compliance with new work health and safety legislation. Other consultancies covered communication, corporate governance, crisis management, data security, remuneration and banknotes.