

Management of the Reserve Bank

Operating Costs

Business initiatives in 2009/10 were mainly geared towards enhancing the Reserve Bank's banking and settlement systems and improving the quality and distribution of banknotes. The former involved building new network connections for the Community of Interest Network, including to RITS, upgrading SWIFT links and work on replacing the mainframe banking system. The latter contribution involved an additional program to improve the quality of banknotes in circulation and an extension of the distribution infrastructure in Sydney. The Bank also undertook work to enhance the general security of its IT systems and to modernise several human resources systems, making more staff-related services available electronically with the aim of increasing overall efficiency. New exhibition spaces were developed in the Currency Museum to display material of historical interest from the Bank's archives.

Some of the activities undertaken in 2008/09 in response to the global financial crisis were wound back as market conditions returned to normal. Guarantees under the Government Guarantee Scheme for Large Deposits and Wholesale Funding, which is administered by the Reserve Bank on behalf of Treasury, ceased to be issued for new borrowings in March 2010. Staff resources involved in these activities declined and leave taken returned to more usual levels. Nonetheless, the increased demands on the Reserve Bank from the crisis have led to a small permanent increase in staff numbers, mainly in areas associated with financial stability, but also in some support areas. More resources were also applied to monitoring and researching the economies of China and India.

In total, operating costs in 2009/10 rose by about 4.4 per cent over the prior year, to \$224.9 million. More than half of these costs relate to the implementation of monetary and payments system policies, including financial market operations; about a quarter are associated with providing banking and settlement services, including the real-time interbank settlement system and transactional banking services for the Australian Government; and about 17 per cent of operating costs arise from issuing banknotes. A decade ago, policy functions accounted for around 40 per cent of the Bank's costs.

Staff costs continue to represent the single largest operating expense, accounting for about 60 per cent of costs in 2009/10. This year's increase in staff costs – which include remuneration, on-costs and other staff related costs – reflects a rise in base salaries of 4 per cent in November 2009 as well as an increase in staffing for core policy areas and project-related short-term contractors. Redundancies related to restructures to meet changing business requirements and to improve the efficiency of operations resulted in redundancy payments of \$0.5 million.

Operating Costs^(a)

\$ million

	2005/06	2006/07	2007/08	2008/09	2009/10
Staff costs	101.0	110.2	119.1	132.6	141.6
Other costs	73.1	74.7	77.2	82.8	83.3
Underlying operating costs	174.1	184.9	196.3	215.4	224.9
Cost of redundancies	0.2	0.2	0.2	2.0	0.5

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

Our People

The Reserve Bank relies on talented people to meet its objectives, with employees undertaking research, analysing complex issues, managing the Bank's various operations and providing services. Given its reliance on people, the Bank aims to provide a superior and stimulating work environment.

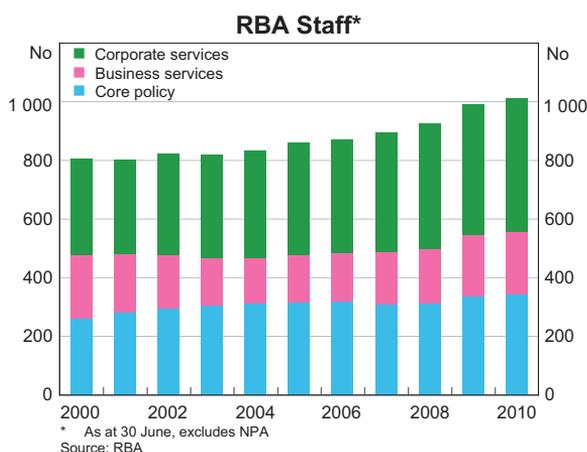
Most of the Reserve Bank's 1 010 employees work at its Head Office and the Business Resumption Site in Sydney, while 5 per cent are located elsewhere in Australia – at the Bank's Canberra Branch, at Note Printing Australia in Craigieburn and in the State Offices in Adelaide, Brisbane, Melbourne and Perth. 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.

Staff numbers rose by 21 people, or 2.1 per cent, over the year to 30 June. The increase was spread between core policy and support functions. In the core policy area, increased demands for participation in international efforts to deal with the global financial crisis and the associated participation of the Reserve Bank in bodies such as the Financial Stability Board, the Basel Committee on Banking Supervision and the Committee on Payment and Settlements Systems resulted in a small rise in staff numbers in the Bank's Financial System Group. The Bank also established a special Asian economies research unit to carry out more extensive and focused analysis of the Chinese and Indian economies. Staff numbers were boosted in the finance area of the Bank to better support the Bank's finance, risk and budget frameworks.

The Reserve Bank's single largest recruitment exercise continues to be the Graduate Development Program. The Program, which accounts for about one-third of new recruits to the Bank each year, is an important means of ensuring that the Bank can meet its objectives. Conducted over two years, the Program seeks to equip new graduates with the appropriate knowledge and skill

set to contribute effectively to the output of the Bank. Thirty-nine graduates joined the Program this year, compared with 45 last year. The trend to a wider mix of disciplines continued, with one-third of the graduate recruits coming from fields other than economics and finance, such as law, accounting, information technology and science/engineering.

The Reserve Bank employed nine staff under the Federal Government's traineeship scheme, which assists people without post-secondary qualifications to enter the workforce and gain certification. 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, 28 ATSI recruits have participated in this training.

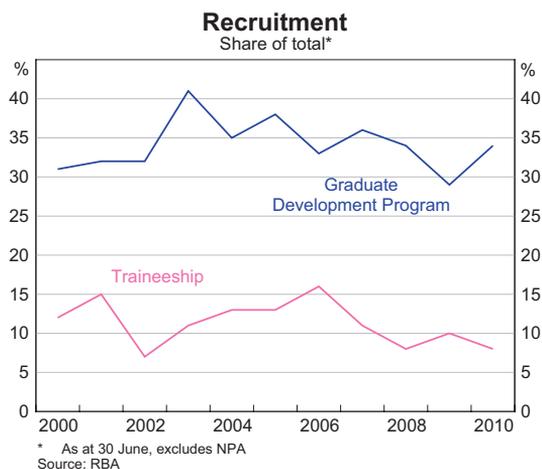
The Reserve Bank also recruits on a regular basis from the market. This tends to be for the support areas of the Bank to work on specific projects that require specialist knowledge or where a position cannot be filled internally. These people tend to have significant work experience and are mainly hired on fixed-term contracts, owing to the largely temporary nature of the work involved.

Reflecting its recruitment programs, the Reserve Bank is a relatively young organisation, with 70 per cent of staff currently younger than 45 years, compared with just under 60 per cent for other industries. Median tenure of staff has been steady for the past few years at around six years, though this is well down on the median tenure of 11 years at the beginning of the decade. Staff turnover this year was 10 per cent, a little higher than the previous year, which was affected by the global financial crisis, but in line with earlier years.

The Reserve Bank's remuneration package needs to be attractive to high-calibre and increasingly mobile employees. Individual contracts continue to provide flexibility in remuneration based on performance and market relativities and, for those who prefer, there is the option of remaining on the Bank's Workplace Agreement. The Agreement provided for a 4 per cent salary increase in 2009/10, with scope for a modest additional payment in recognition of good performance.

Consistent with its aim of providing a stimulating work environment, the Reserve Bank supports continuous professional development to ensure that new staff are adequately prepared for the work of the Bank, and that longer-tenured employees continue to improve their skills and knowledge. The support takes many forms, including on-the-job training, formal courses and further study. Forty-seven staff received financial support for further study during the year, including four who commenced full-time post-graduate study at overseas universities.

For a small number of staff, there is also the opportunity to work on attachment in other organisations. Within Australia, staff have been seconded in the past year to APRA, the Australian Securities Exchange, the Australian Treasury, the Productivity Commission and the Department of the Prime Minister and Cabinet. International attachments assist in directly exposing staff to the increasingly global context of the Reserve Bank's work and this year have involved secondments to the BIS, the IMF, the OECD and the Reserve Bank of Vanuatu. At the same time, the Bank has hosted secondees from the Australian Treasury and the Bank of England. The increasing need for competency in international arenas has led to increased demand within the Bank for cultural-awareness and language training for staff in relevant areas.



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 demands for space are quite small.

The value of premises assets, which is appraised annually by external valuers, decreased by \$24 million to \$312 million in 2009/10, reflecting the widespread softening of the commercial property market in Australia. Surplus accommodation in premises owned by the Bank is leased to external tenants; gross income from these leases amounted to \$7.8 million in 2009/10.

During the year, the Reserve Bank continued to strengthen the resilience of facilities supporting critical operations. At Head Office, this involved upgrading electrical and communications infrastructure and workspace to improve resilience and crisis response for the payments settlements function. In Victoria, electrical infrastructure upgrade works continued at the Craigieburn facility to enhance system resilience further and to meet the operational needs of Note Printing Australia.

Environmental Management

The Reserve Bank continues to develop initiatives to reduce costs and promote sustainable practices in its operations. During the year, building services were upgraded, leading to significant improvements in energy and water efficiency. At Head Office, this involved replacing the three original chillers with three multi-staged energy efficient chillers, and at the Melbourne Office replacing and upgrading the building management system to improve the control and efficiency of the air conditioning system. The Bank also continues to measure the impact of environmental initiatives, with the following results in 2009/10:

- a reduction in consumption of electricity of 4 per cent;
- a reduction in consumption of gas of 11 per cent;
- a reduction in consumption of water of 22 per cent, arising from the full-year effect of water recycling in the note-printing process combined with higher stormwater recovery at the Business Resumption Site;
- a reduction in consumption of paper per employee of 3 per cent, with 85 per cent of paper now 50/50 recycled, up from 75 per cent the previous year;
- fuel efficiency that remains well within the Australian Government's green guidelines for vehicle fleets; and
- 52 per cent of waste from the Bank's mainstream activities being recycled.

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 2009/10, the following consultancies were undertaken.

Consultancies^(a) 2009/10

Consultant	Project	Cost (\$) ^(b)	Purpose
Arup Pty Ltd	Handling of MEK at Securrency	28 555	Make recommendations on safe handling of MEK at the Securrency facility, Craigieburn, Victoria
Clayton Utz	Payments system reforms	20 805	Advice on possible undertakings by card schemes
Allens Arthur Robinson	Advice for the Council of Financial Regulators	11 330	RBA share of review of aspects of financial crisis management framework

(a) Costing \$10,000 or more

(b) Excluding GST

