

Management of the Reserve Bank

This chapter outlines the management structure of the Reserve Bank and describes the Bank's approach to managing its finances, technology, data and facilities. The subsequent chapters provide further detail on the Bank's people, risk management and earnings. The Bank is managed by the Governor, with assistance from the Executive Committee and the Risk Management Committee. The Bank is committed to the prudent management of its finances and the efficient functioning and security of its systems and facilities. It maintains a strong focus on cost control in discharging its key policy and operational responsibilities, and continues to invest in its technology, data, facilities and related capabilities that are essential for the Bank to achieve its objectives.

Management structure

Under the *Reserve Bank Act 1959*, the Bank is managed by the Governor, with the support of two key management committees – the Executive Committee and the Risk Management Committee.

The Executive Committee is the key management committee of the Reserve Bank for matters of strategic or Bank-wide significance, including delivery of the Bank's key objectives and its strategic focus areas (see chapter on 'Our Role'). Its role is to assist and support the Governor in managing the Bank. The Committee, which is chaired by the Governor and includes the Deputy Governor and the Assistant Governors, meets weekly. Other senior executives attend meetings of the Committee when required to provide specialist advice.

The Risk Management Committee has responsibility for ensuring that operational and financial risks are identified, assessed and properly managed across the Reserve Bank in accordance with its Risk Management Policy. It is chaired by the Deputy Governor and comprises senior executives drawn mainly from the operational areas of the Bank. During 2020/21, the Risk Management Committee met regularly and kept the Executive Committee and Reserve Bank Board Audit Committee informed of its activities. Details of the Bank's risk management framework are provided in the chapter on 'Risk Management'.

During 2020/21, the Executive Committee developed and approved an Executive Accountability Framework (EAF) to further enhance and support the Reserve Bank's high standards of executive accountability. The EAF outlines where accountability lies within the executive team for the Bank's functions and operations. It complements the Bank's broader governance framework, which is set out in legislation, charters of board subcommittees and Bank committees, and Bank policies. The EAF has been published to the Bank's website.

Financial management

The Reserve Bank seeks to ensure its key policy and operational objectives are met, while managing its spending and staffing levels carefully. The Bank's budget is a key component of this accountability, covering the Bank's resourcing and expenditure plans for the coming year. The Executive Committee supports the Governor in overseeing the Bank's budget.

The Reserve Bank's Investment Committee, chaired by the Deputy Governor, is responsible for oversight of the Bank's project portfolio. Its primary role is to support the Governor and the Executive Committee in recommending how the Bank should best prioritise spending on projects to deliver efficient and effective outcomes, consistent with the Bank's strategic objectives. The work of the Committee is supported by a project governance framework, which includes the review and approval of business cases outlining proposed initiatives. Senior executive accountability to promote efficient and effective project outcomes is established via project steering committees. Projects report at least quarterly to the Executive Committee on their status, including performance against project plans and budget, and the management of project-related risks.

In their operational capacity, Assistant Governors and Department Heads are responsible for managing expenditure within their approved budgets. Support is provided by the Reserve Bank's Finance Department, which monitors and reports the Bank's financial performance monthly. The Finance Department also provides the Executive Committee with regular forward-looking updates to allow it to make timely decisions about priorities.

Financial management is supported by the Reserve Bank's expenditure and payment approval policy and its associated processes, which ensures appropriate oversight of expenditure and payments to the Bank's various suppliers of goods and services. Material spending commitments are approved by senior staff.

The Reserve Bank is a corporate Commonwealth entity 'prescribed' under section 30 of the *Public Governance, Performance and Accountability Rule 2014*, and is therefore required to apply the Commonwealth Procurement Rules (CPRs) when performing duties relating to certain procurements with an expected value exceeding \$400,000 for non-construction services and \$7.5 million for construction services. The CPRs require public reporting of certain activities on the Commonwealth's AusTender website. For the reporting period, the Reserve Bank notified the award of 27 contracts and 21 procurement opportunities. The reported procurement opportunities were for utilities, construction, and IT hardware, software and services. For other procurements, the Reserve Bank follows the principles contained in the CPRs. The broad objective is to ensure that all goods and services procured by the Bank support its policy and operational responsibilities in an efficient and cost-effective manner, achieve value for money for the Bank, and that effective process accountability and probity applies.

The Reserve Bank's costs arise from fulfilling its policy and operational responsibilities, and from investment that supports the delivery of key objectives through the Bank's strategic focus areas. Where appropriate, the Bank seeks to recoup operating costs associated with many of its operational responsibilities through fees and charges. This includes from the use of payment systems run by the Bank (such as the Reserve Bank Information and Transfer System and the Fast Settlement Service), and from transactional banking services provided to clients. The Bank also earned fee income of \$330.7 million in 2020/21 from the provision of the Committed Liquidity Facility to eligible authorised deposit-taking institutions. Operating costs associated with the production, issuance and management of Australia's banknotes are indirectly funded by net interest income. This reflects that holders of 'banknotes on issue' are not paid interest, while the Bank earns interest on the assets it holds, albeit currently at low rates. Further details on these services are provided in the chapters on 'Banking and Payment Services', 'Banknotes' and 'Operations in Financial Markets'.

Operating costs

The Reserve Bank's general operating costs were \$412.7 million in 2020/21, a 1.6 per cent increase on the previous year. Staff costs, the largest component of the Bank's general operating costs, grew by 0.2 per cent and reflected, on average, higher staffing numbers during the year (including a temporary increase in project staff supporting the Bank's data and technology initiatives), and salary increases stipulated in the Reserve Bank's Workplace Agreement, although these were deferred by six months for most staff (with no wage increases for senior staff). The Bank's staffing at 30 June 2021 was around the same level as a year earlier. Managing resourcing and associated costs remains an area of focus for the Bank. This includes seeking to contain staffing numbers, while ensuring that staff levels remain appropriate to support the Bank's core operations and strategic priorities.

General Operating Costs^(a)

\$ million

	2016/17	2017/18	2018/19	2019/20	2020/21
Staff costs	216.2	223.6	227.9	244.1	244.5
Technology costs	28.8	31.2	34.8	41.0	42.4
Premises costs	24.4	25.0	24.8	26.5	28.8
Other costs	34.7	28.6	29.5	29.5	34.4
General operating costs (excl. depreciation)	304.1	308.4	317.0	341.1	350.1
Depreciation	38.4	51.7	56.2	64.9	62.6
General operating costs	342.5	360.1	373.2	406.0	412.7
Of which: Cost of projects	43.5	35.1	23.2	20.1	30.3
General operating costs by function^(b)					
Policy	80.8	80.9	82.6	89.7	89.7
Business Services	80.2	95.8	100.1	100.9	90.8
Executive and Corporate Support	181.5	183.4	190.5	215.4	232.2

(a) Excluding NPA and banknote management expenses, and costs directly linked with transaction-based revenue. Some prior period costs have been reclassified to align with the current basis of presentation

(b) Costs by function shown above are on a direct rather than an allocated cost basis

Source: RBA

Operating expenditure on projects was higher in 2020/21, including from initial planning work for the upgrade of the Reserve Bank's Head Office, and for initiatives supporting the strategic focus areas. Further enhancing the overall resilience and performance of key technology assets contributed to a 3.6 per cent increase in technology expenditure, as did ongoing investment to strengthen further the Bank's cyber security capabilities and manage the Bank's technology response to the COVID-19 pandemic. The rise in 'other' costs primarily reflected the sourcing of external expertise to support the delivery of a range of strategic initiatives relating to the Bank's systems and premises. The decline in depreciation expense is consistent with a number of technology infrastructure assets having been fully written down, though the current program of capital expenditure will see a rise in depreciation in the medium term.

The Reserve Bank's operating costs were 3.1 per cent below its 2020/21 budget, in part reflecting the ongoing effects of COVID-19 restrictions on expenditure, including restrictions on accessing sites during the early part of the financial year that delayed some projects, and a continuation of travel restrictions. Despite these restrictions, the Bank's ongoing effective prioritisation of activities allowed it to deliver its operations and strategic initiatives, including its policy responses to support the economy during the pandemic.

General operating costs are expected to grow by around 10 per cent in 2021/22. This increase will be primarily driven by heightened investment in operating systems to enhance cyber and operational resilience, while also simplifying the technology infrastructure and data management and governance capabilities. General operating costs, excluding project spending, are forecast to grow by 5.1 per cent. Staff costs are budgeted to increase, reflecting a return to normal arrangements for salary increases stipulated in the Reserve Bank's Workplace Agreement, and a rise in staffing levels to deliver key projects.

Capital expenditure reflects the program of investment aimed at maintaining the value of the Reserve Bank's buildings and technology assets and supporting the delivery of new capabilities and services. Capital expenditure rose by 42.3 per cent in 2020/21, largely reflecting the commencement of major works to upgrade the Bank's Head Office in Sydney and its H.C. Coombs Centre training facility in Kirribilli (see below under 'Facilities'). Capital projects to further strengthen the resilience of technology services, including through the establishment of a 'data bunker' facility, also contributed to the increase (see below under 'Technology'). Capital expenditure is also expected to rise in the coming year, reflecting the significant ongoing program to upgrade the Bank's Head Office and a refresh of technology infrastructure, including that supporting the Fast Settlement Service.

Capital Expenditure^(a)

\$ million

	2016/17	2017/18	2018/19	2019/20	2020/21
Capital Costs	100.7	45.7	36.5	43.6	62.0
Of which: Cost of major projects ^(b)	85.8	39.5	31.7	19.0	44.1

(a) Excluding NPA

(b) Projects on the Enterprise Master Schedule

Source: RBA

The Reserve Bank engages consultants from time to time where it lacks specialist expertise or if independent research, review or assessment is required. Spending on consultancies increased in 2020/21.

Spending on Consultancies^(a)

	\$
2011/12	535,000
2012/13	1,190,000
2013/14	387,000
2014/15	773,000
2015/16	622,520
2016/17	987,388
2017/18	596,157
2018/19	1,113,425
2019/20	485,896
2020/21	613,823

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

Source: RBA

Workplace changes in response to the COVID-19 pandemic

During 2020/21, the Reserve Bank closely monitored the spread of COVID-19 and undertook measures to protect employees and ensure the continuity of the Bank's operations. During periods of government mandated restrictions on movement, the majority of the Bank's employees were able to perform their duties by working remotely, with minimal disruption to day-to-day operations. Enhancements to the Bank's IT systems were implemented to enable hybrid working arrangements and remote access to computing services, without any adverse effects on IT security. 'Split-site' arrangements for the Bank's critical functions were maintained for most of the period to reduce the risk of simultaneous infections on Bank sites. In line with changing rates of the spread of community infections and government advice, these restrictions were progressively relaxed from the end of 2020 before being reimposed as a result of the most recent COVID-19 outbreak in late June 2021.

Mechanisms in place to support Bank employees, contractors and visitors over 2020/21 included:

- controls to ensure adherence to Safework Australia guidelines on Bank premises, including workspace management practices, physical distancing, hygiene services and increased cleaning of common areas
- establishing regular communications to staff on the Bank's response to COVID-19 developments and protocols for responding to potential COVID-19 infections
- introducing initiatives designed to maintain employees' physical and mental wellbeing, and to assist with their engagement and productivity – given the longevity of the working-from-home arrangements, these included establishing virtual gym classes, weekly engagement challenges, a fitness challenge and an influenza vaccination program; employees were also provided with access to assistance through the Bank's Employee Assistance Program provider
- providing targeted staff training on technology collaboration services, including remote access connectivity and video conferencing, and productivity tips for hybrid working.

Between early 2021 and June 2021, almost all staff were working at least several days a week at a Bank site, although adjustments were made from time to time (in accordance with government advice) where localised infections occurred. The Bank has successfully transitioned to a hybrid working arrangement that enables staff to work productively from any of the Bank's physical sites (subject to government advice) or remotely where it is practical or necessary to do so. These arrangements continue to protect the Bank's critical functions as well as ensure a safe and healthy workplace.

The Bank continues to monitor the situation closely and follow government guidelines in managing its response.

Technology

Information Technology (IT) systems and infrastructure play a key role in the Reserve Bank's ongoing operations and account for a significant proportion of the Bank's strategic investments. The technology environment comprises more than 450 software applications, two highly available data centres and a highly resilient network infrastructure across multiple Bank sites.

A key focus for IT over the course of 2020/21 was to support the Bank's initial transition to predominantly remote working operations for Bank staff at the onset of the pandemic, and the subsequent shift to a 'hybrid' working model for staff towards the end of 2020. A further focus was the provision of technology support needed to deliver the economic response to the pandemic, including the processing of increased welfare and stimulus payments on behalf of the government and the implementation of the Reserve Bank's monetary policy measures.

Major technology-related projects completed in 2020/21 included the modernisation of systems to manage daily market liquidity operations, and a major program of technology stability improvements to ensure further operational resilience of Bank functions.

Significant progress was also made in modernising key aspects of the Reserve Bank's payment infrastructure and integration technologies supporting banking, payments and enterprise software.

Cyber security remains a key focus for the Bank, with continued investment in ensuring the security of the Bank's systems and information. This includes ongoing threat monitoring and vulnerability assessments for early detection of emerging security vulnerabilities to inform continuous security improvements, regular penetration testing of the Bank's systems and processes, and strong security governance over new technology solutions that are introduced into the Bank's environment. This is supported by a program of activities to build cyber security awareness among all Bank staff, and active intelligence-sharing within the financial services, government and central banking communities. The Bank also continues to invest in its cyber security team to ensure it attracts and retains high-quality staff resources.

The Bank continues to pursue strategies to drive the efficiency, stability and resilience of its IT assets, including: automation of patching and release management; development of a data bunker to provide additional resilience for highly available banking, payments and financial markets services; and utilising cloud computing and managed services where appropriate. A dedicated platform engineering function has been established to standardise, simplify and automate technology infrastructure development with a continuous focus on the simplification and modernisation of the Bank's technology infrastructure. The Bank has introduced a technology skills certification program to ensure staff working on highly available systems maintain the knowledge and experience required to do so.

The Bank operates an Innovation Lab to explore the implications and opportunities of emerging technologies and trends relevant to both its charter obligations and Bank operations. In 2020/21, the focus included experimentation related to the use of high-availability, low-cost technology architectures to reduce technology operating costs, and the use and implications of a wholesale form of central bank digital currency using distributed ledger technology.

Data

The Reserve Bank's Enterprise Data Office is responsible for the management and governance of the Bank's data as an asset in an external environment that is complex, data rich and rapidly changing. A key focus over the course of 2020/21 was to refresh the Bank's strategic data platforms and to accelerate migration and consolidation of critical data on these platforms, which is ongoing. This has been accompanied by an enterprise-wide training initiative to uplift Bank staff's proficiency with modern data analytics technologies and tools. Work is also underway to centralise, standardise and automate common data management activities where possible. These initiatives seek to reduce data-related risks, optimise data management activities to improve employee productivity and engagement, and enhance analytical outcomes through the use of modern data tools and methods, thereby harnessing the power of data.

The Bank has established a Data Science Hub, which will use modern technology and techniques from machine learning and elsewhere to conduct policy and operational research to support the Bank's functions.

Facilities

The Reserve Bank owns premises in locations where there is a business need to do so. The Bank's facilities include: the Head Office in Sydney; the H. C. Coombs Centre for Financial Studies in Kirribilli, Sydney; an office building in Canberra; facilities for the printing, processing, storage and distribution of banknotes at Craigieburn, north of Melbourne; and a Business Resumption Site in north-west Sydney. In addition to the buildings it owns, the Bank leases accommodation for its state offices in Melbourne, Adelaide, Brisbane and Perth and for its offices in London, New York and Beijing. Independent valuers estimated the value of the Bank's domestic property assets at \$556.1 million on 30 June 2021. The total value of the Bank's property portfolio has increased by \$17.9 million, reflecting higher property values in Sydney and Melbourne.

Office space in the Reserve Bank's properties that is not required for the Bank's own business purposes is leased to external tenants. Net income from these leases amounted to \$5.9 million in 2020/21, compared with \$6.8 million in the previous year. The reduction is primarily as a result of the exit of an external tenant from the Bank's Head Office building in Sydney in preparation for the commencement of the Bank's planned building renovations later in 2021.

During the year in review, the Reserve Bank commenced building works at the H.C. Coombs Centre, with completion planned by the end of 2021. Detailed planning for the refurbishment of the Bank's Head Office has been completed and the building contract has been released for competitive tender. These works will upgrade base building infrastructure that is at end-of-life and will ensure a safe, efficient and effective workplace to meet the long-term needs of the Bank, while preserving heritage features. The construction of a new high-security vehicle gatehouse at the Craigieburn site was completed in late 2020, and works to increase the Bank's data centre infrastructure efficiency and capacity are nearing completion. Other improvements to the Bank's physical security infrastructure are under way across several sites as part of a periodic program to replace assets that are at end-of-life and no longer fit for purpose.

Ecologically sustainable development and environmental performance

The Reserve Bank is committed to improving the environmental performance of its operations. The Bank has developed policies and practices that are consistent with the principles of ecologically sustainable development (ESD) as set out in the *Environment Protection and Biodiversity Conservation Act 1999*. These policies and practices serve to minimise the impact of the Bank's activities on the environment by: increasing the use of renewable energy sources; undertaking continuous environmental improvement through more efficient energy utilisation and management of waste streams; and incorporating sustainability and environmental aspects in the Bank's building designs and operations. The ESD principles are captured in the Bank's Environmental Statement.¹

Key waste management activities in this period included:

- new waste-separation processes, including a separate organics waste stream, increasing the Bank's diversion of waste from landfill
- a reduction in single-use plastics, including use of alternatives to plastics for disposable cutlery and elimination of 30,000 plastic bin liners annually from landfill.

New and planned improvements to the performance of the infrastructure of the Reserve Bank's buildings include:

- installation of new, more energy efficient air conditioning equipment at the Bank's Business Resumption Site, including cold-air containment for equipment in the data centre
- incorporating sustainable building solutions in to the design of refurbishments of the Bank's Head Office building and H.C. Coombs Centre, including rooftop solar panels, improved insulation, increased fresh air ventilation and rainwater harvesting; the designs also include improved sub-metering to manage electricity consumption more efficiently
- completion of a feasibility study for a large solar panel installation at the Craigieburn facilities in Victoria
- completion of the design for new energy-efficient chillers for the Craigieburn site, including elimination of ozone-depleting refrigerants and enhancements for the operational performance of the chilled water system and cooling towers
- continued implementation of LED lighting across all Bank sites, replacing non-LED lighting to achieve improved environmental performance and reducing electricity consumption.

¹ See RBA (2019), 'Environmental Statement', December.
Available at <<https://www.rba.gov.au/about-rba/our-policies/environmental-statement.html>>.

Electricity consumption at Bank-operated sites increased by 0.5 per cent in 2020/21, compared with the preceding year. Gas consumption in 2020/21 was 34 per cent higher compared with the previous year, while water consumption in 2020/21 was 1.4 per cent higher. These increases in consumption were due in part to the return of normal operations in most sites at the time when the COVID-19 restrictions were relaxed, allowing more Bank staff to return to the office and for full building services to resume. Gas consumption also increased as a result of changes to the Bank's archival storage arrangements in the Head Office building, with new temporary space requiring 24/7 humidity control. The Bank has also entered into a new three-year electricity supply contract that includes 20 per cent GreenPower, with the option to increase the amount of GreenPower over the life of the supply contract.

