

# 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 Bank is committed to discharging its policy and operational responsibilities in an efficient manner and invests in its people, technology, data, facilities and related capabilities essential for the Bank to achieve its strategic objectives. Subsequent chapters provide further information on the Bank's people, risk management and earnings.

## 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 strategic focus areas (see chapter on 'Our Role'). Its role is to 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. The Risk Management Committee met regularly during 2021/22 and kept the Executive Committee and the 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'.

The Executive Accountability Framework (EAF) supports the 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 is available on the Bank's website.

## Financial management

The Reserve Bank seeks to ensure its policy and operational objectives are met, while managing its spending and staffing levels. 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 has an Investment Committee, chaired by the Deputy Governor, to oversee the Bank's project portfolio. Its primary role is to support the Governor and the Executive Committee to prioritise spending to deliver outcomes consistent with the Bank's strategic objectives. The Investment Committee is supported by a project governance framework, which includes review and approval of business cases for proposed initiatives. Senior executive accountability is established via project steering committees. Projects report at least quarterly to the Executive Committee on their status, including the management of project-related risks.

Assistant Governors and Department Heads are responsible for managing expenditure within approved budgets. Support is provided by the Reserve Bank's Finance Department, which provides the Executive Committee with regular forward-looking updates to allow it to make timely decisions about priorities. Financial management is also supported by the 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 executive 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 Bank notified the award of 25 contracts and 8 procurement opportunities for utilities, construction, and IT hardware, software and services. For other procurements, the Bank follows the principles contained in the CPRs. The broad objective is to ensure that goods and services are procured by the Bank in an efficient and economical manner and that effective process accountability and probity applies.

The Reserve Bank's costs arise from fulfilling its responsibilities and from investment that supports the delivery of the Bank's strategic objectives. Where appropriate, the Bank seeks to recoup operating costs associated with 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 \$227.6 million in 2021/22 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 arises because holders of 'banknotes on issue' are not paid interest, while the Bank earns interest on the assets it holds, albeit 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 \$429.8 million in 2021/22, a 4.2 per cent increase on the previous year. Staff costs – the largest component of the Bank's general operating costs – increased by 5.7 per cent and reflected, on average, higher employee numbers during the year supporting the Bank's data, technology and change initiatives, and from salary increases stipulated in the Reserve Bank's Workplace Agreement. Ensuring that staff levels remain appropriate to support the Bank's operations and

delivery of our strategic priorities has been a key management focus. Operating expenditure on projects was higher in 2021/22, including commencement of the upgrade of the Reserve Bank's Head Office, and data and technology initiatives in support of the Bank's strategic focus areas.

### General Operating Costs<sup>(a)</sup>

\$ million

	2017/18	2018/19	2019/20	2020/21	2021/22
Staff costs	223.6	227.9	244.1	244.5	258.4
Technology costs	31.2	34.8	41.0	42.4	44.6
Premises costs	25.0	24.8	26.5	28.8	29.1
Other costs	28.6	29.5	29.5	34.4	33.1
General operating costs (excl. depreciation)	308.4	317.0	341.1	350.1	365.3
Depreciation	51.7	56.2	64.9	62.6	64.5
General operating costs	360.1	373.2	406.0	412.7	429.8
– Of which: Cost of projects	35.1	23.2	20.1	30.3	37.1
General operating costs by function <sup>(b)</sup>					
– Policy	80.9	82.6	89.7	89.7	90.2
– Business Services	95.8	100.1	100.9	90.8	87.6
– Executive and Corporate Support	183.4	190.5	215.4	232.2	252.0

(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

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. Significant capital expenditure in 2021/22 was for the commencement of major works to upgrade the Bank's Head Office in Sydney and completion of an upgrade of the Bank's H.C. Coombs Centre training facility in Kirribilli (see below under 'Facilities') and projects to further strengthen the resilience of technology services (see below under 'Technology'). Capital expenditure is expected to rise in the coming year in view of 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<sup>(a)</sup>

\$ million

	2017/18	2018/19	2019/20	2020/21	2021/22
Capital Costs	45.7	36.5	43.6	62.0	49.3
– Of which: Cost of major projects <sup>(b)</sup>	39.5	31.7	19.0	44.1	29.2

(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 decreased a little in

2021/22 and has been broadly stable over the past three financial years. In 2021/22, contributions to the Digital Finance Cooperative Research Centre to explore use cases for central bank digital currencies accounted for most of this expenditure. The next largest expenditure was a consultancy with UNSW's SMaRTCentre to help implement its technology for recycling waste materials from the Bank's Head Office refurbishment, including glass, textiles and concrete into new products that will be used in the refurbishment.

### Spending on Consultancies<sup>(a)</sup>

\$

Financial year	Spend
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
2021/22	599,759

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

Source: RBA

## Technology

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

A key focus in 2021/22 was the provision of technology services to support the Bank's response to the pandemic, including processing increased welfare and stimulus payments on behalf of the government and implementation of the Reserve Bank Board's monetary policy decisions.

Further improvements to the technology supporting hybrid working arrangements have also been implemented. Availability targets for critical business services were largely achieved, and business and technology continuity exercises were successfully conducted in November 2021 and March 2022 to validate system resiliency.

Major technology-related projects completed in 2021/22 included: the establishment of a modern data bunker facility; improved technology to promote greater collaboration and enhance the employee experience as part of the modernisation of the H.C. Coombs Centre for Financial Studies; the upgrade of key external publishing infrastructure supporting the financial markets services; and strengthening of our network-access controls.

Cybersecurity remains a key focus for the Reserve Bank, with continued investment in ensuring the security of the Bank's systems and information. This includes ongoing threat monitoring and 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 IT environment. This is supported by a program of activities to build cybersecurity awareness among all Bank staff, and active intelligence-sharing within the financial services, government and central banking communities.

The Reserve Bank continues to pursue strategies to drive the efficiency, stability and resilience of its IT assets, including: automation of patching and release management; and utilising cloud computing and managed services where appropriate. 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, while also focusing on future skills needed to support the Bank's services. The past year also saw significant focus on activities to attract and retain high-quality staff to deliver IT services amid a tightening labour market.

The Reserve Bank operates an Innovation Lab to identify and evaluate the implications of emerging technologies and business trends relevant to both its charter obligations and its operations. In 2021/22, key innovation lab engagements included supporting the development of a potential electronic Know Your Customer (eKYC) model for the South Pacific region, supporting industry consultation and exploration of innovative solutions for the Bank's Cash-in-Transit (CIT) work, and establishment of an Innovation Academy to continue to grow the Bank's innovation capability.

## Data

Harnessing the power of data is a strategic focus area for the Reserve Bank. The Enterprise Data Office (EDO) 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. In 2021, the Bank appointed its first Chief Data Officer to lead the EDO and have the overall responsibility for growing technology, process and people capabilities for working with data.

A key focus over the course of 2021/22 was to continue the refresh of the Bank's strategic data platforms and the migration and consolidation of important data onto these platforms. This has been accompanied by an ongoing enterprise-wide training initiative to uplift and maintain the staff's proficiency with modern data analytics technologies and tools.

Following the consolidation of common data management and reporting activities in the EDO, work is under way to standardise, automate and industrialise these activities. Additionally, a Data Science Hub is now operational and using modern technology and techniques from machine learning and elsewhere to delivery policy and operational projects to support the Bank's functions.

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.

## 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 office space in Adelaide, Brisbane, Melbourne, Perth, Beijing, London and New York for staff based in these locations. Valuations are undertaken every second year. As at 30 June 2021, the value of the Bank's domestic property assets was estimated at \$556 million. The next valuation will be undertaken by 30 June 2023.

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 2021/22.

During the year in review, the Reserve Bank commenced a large-scale renovation of the Bank's Head Office building and completed a major renovation of the H.C. Coombs Centre in Kirribilli. The renovations to the H.C. Coombs Centre have modernised the facility, which was built in 1984, and also expanded its capacity. The renovation of the Head Office building commenced in April 2022 after an extensive design phase and a competitive tender for a Head Building Contractor. 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.

Works to increase the Bank's data centre infrastructure efficiency and capacity were also completed during 2021/22. 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.<sup>[1]</sup>

Key waste management activities in this period included:

- initiatives to maximise the level of recycling, refurbishment and reuse of materials, furniture and equipment in the refurbishment of the Bank's Head Office building
- diversion of 1,258 tonnes of construction waste from landfill as a result of building waste disposal practices
- continued improvement in waste separation processes, including the introduction of a separate organics waste stream, increasing the Bank's diversion of waste from landfill
- ongoing reductions in single-use plastics, including use of alternatives to plastics for disposable cutlery and elimination of 30,000 plastic bin liners annually from landfill.

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[1] See RBA (2019), 'Environmental Statement', December.

Initiatives to improve the performance of the infrastructure of the Reserve Bank's buildings and reduce carbon emissions in 2021/22 include:

- increasing the energy efficiency of the Bank's data centres by installing new, more energy-efficient electrical services, air-conditioning equipment and cold-air containment units; new monitoring systems were also installed to track and manage energy usage more effectively
- incorporating sustainable building solutions into the design and construction of the 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
- installing new energy-efficient cooling towers and chillers for the Craigieburn site, including elimination of ozone-depleting refrigerants and enhancements for the operational performance of the chilled water system
- improving humidity control for the Craigieburn site, with more efficient usage of electricity and water
- continued implementation of LED lighting across all Bank sites, replacing non-LED lighting to achieve improved environmental performance and reducing electricity consumption.

Electricity consumption at Bank-operated sites decreased by 5 per cent in 2021/22, compared with the preceding year. Operation of the solar panels at the Bank's Business Resumption Site delivered reductions in carbon emissions of 70.4 tonnes in 2021/22, equivalent to 6,652 trees. Gas consumption in 2021/22 was 1 per cent lower compared with the previous year, while water consumption in 2021/22 was 17 per cent lower. The reductions in electricity and water consumption are predominantly associated with improved efficiencies at the Craigieburn site as a result of the installation of more efficient cooling and humidification systems. ↗

