

# 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 and facilities, which is 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. 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 Executive 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 a management committee chaired by the Deputy Governor and comprises senior

executives drawn mainly from the operational areas of the Bank. During 2019/20, the Risk Management Committee met on seven occasions 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'.

## Financial Management

The Reserve Bank seeks to ensure that its key policy and operational objectives are met, while maintaining a strong focus on cost control. The Bank seeks to achieve value for money from all its spending, and manages its staffing levels carefully. A key component of this accountability is the Reserve Bank's budget, which covers the resourcing and expenditure plans for the financial 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, which oversees the Bank's portfolio of project initiatives directed

at supporting the Bank to meet its policy and operational responsibilities. The work of the committee is supported by a project governance framework, which includes the submission, review and approval of detailed business cases. These projects are assessed against the priorities of the Bank and within the context of a four-year view of prospective project work. There is senior executive representation and accountability on project steering committees. Projects report at least quarterly to the Bank's Executive Committee on the progress of works 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, with support provided by the Reserve Bank's Finance Department, which reviews and monitors the Bank's financial performance relative to approved budgets on a monthly basis. Performance against the budget, including a forward-looking view of the full-year outcome, is presented to the Executive Committee on a regular basis. There are two formal forecasts of the Bank's costs during the year, which are considered by the Executive Committee in a timeframe that allows the committee to make decisions around the prioritisation of work.

Financial management is also supported by the Bank's expenditure and payment approval policy and its associated processes, which ensures appropriate oversight over the Bank's expenditures to its various suppliers of goods and services. Material spending commitments are approved by senior staff. For its procurement of goods and services, the Reserve Bank follows the principles contained in the Commonwealth Procurement Rules (CPRs) with the objective of ensuring that all goods and services procured by the Bank support its policy and operational responsibilities in an efficient and cost-effective manner, and that probity applies.

The Reserve Bank's costs arise from fulfilling its key policy and operational responsibilities, and from project investment that supports the delivery of these responsibilities. Where appropriate, the Bank seeks to recoup operating costs associated with many of its operational responsibilities through fees and charges. These responsibilities include the transactional banking services provided to clients and for the use of payment systems run by the Bank (such as the Reserve Bank Information and Transfer System (RITS) and the Fast Settlement Service (FSS)). The Bank earned fee income of \$373 million in 2019/20 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 (reflecting that holders of 'banknotes on issue' are not paid interest, while the Bank earns interest on the assets it holds). Further details on these services are provided in the chapters on 'Banking and Payment Services', 'Banknotes' and 'Operations in Financial Markets'.

The Reserve Bank's general operating costs were \$406.0 million in 2019/20. This was about 1.6 per cent below the budget for 2019/20, in part reflecting the impact of COVID-19 restrictions during the latter part of the financial year, which delayed a number of project initiatives and some non-essential maintenance of Bank premises, and saw the cessation of staff travel from the early stages of the pandemic. These more than offset some additional costs incurred to support staff in the transition to working remotely, including further to enhance the Bank's technology capabilities in this area. Additional information on the Bank's COVID-19 response is contained below.

In comparison with the previous year, general operating costs were 8.8 per cent higher in 2019/20. Staff costs, the largest component of the Bank's general operating costs, grew by 7.1 per

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

\$ million

	2015/16	2016/17	2017/18	2018/19	2019/20
Staff costs	212.6	216.2	223.6	227.9	244.1
Technology costs	22.3	28.8	31.2	34.8	41.0
Premises costs	20.8	24.4	25.0	24.8	26.5
Other costs	28.1	34.7	28.6	29.5	29.5
<b>General operating costs (excl. depreciation)</b>	<b>283.8</b>	<b>304.1</b>	<b>308.4</b>	<b>317.0</b>	<b>341.1</b>
Depreciation	25.6	38.4	51.7	56.2	64.9
<b>General operating costs</b>	<b>309.4</b>	<b>342.5</b>	<b>360.1</b>	<b>373.2</b>	<b>406.0</b>
Of which: Cost of projects	33.7	43.5	35.1	23.2	20.1
<b>General operating costs by function<sup>(b)</sup></b>					
Policy	79.6	80.8	80.9	82.6	89.7
Business Services	61.6	80.2	95.8	100.1	100.9
Executive and Corporate Support	168.2	181.5	183.4	190.5	215.4

(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

cent, reflecting the salary increases stipulated in the Reserve Bank's Workplace Agreement, and a rise in the average number of staff supporting the Bank's operations (including from the full-year effect of additional staff added during the previous year to support new banking and payment systems and services). Managing resourcing and its associated costs continues to be an area of focus for the Bank. This includes seeking to contain staffing numbers to current levels, while ensuring that staff levels remain appropriate to support the Bank's core operations.

Technology costs rose by 17.8 per cent in 2019/20, reflecting enhanced banking and payments services and infrastructure that require additional licensing, maintenance and vendor support. These systems are required to operate to high standards of availability, especially FSS (99.995 per cent availability) and RITS (99.95 per cent availability). Costs associated with further enhancing the overall resilience and performance of these key technology assets also contributed to the increase in technology expenditure, as did

ongoing investment to strengthen further the Bank's cyber security capabilities.

Premises costs rose by 6.9 per cent this year, reflecting the transfer of the remaining aspects of security at the Bank's site at Craigieburn, Victoria, to the Bank (which were formerly managed by Note Printing Australia Limited (NPA)). Under this new arrangement, a large proportion of these security related costs are recovered from site tenants, including NPA, and recorded as revenue.

The increase in depreciation expense, which rose by a further 15.5 per cent in 2019/20, mainly reflects the completion of the Bank's multi-year program to modernise its banking systems and the adoption of revised accounting requirements for leased assets (which resulted in \$4.4 million of leased premises and equipment expenditure being reported as depreciation in 2019/20).

Capital expenditure reflects the program of investment aimed at: maintaining the value of the Reserve Bank's buildings and technology assets; supporting the delivery of new capabilities and services; and initiatives that seek to produce

## Capital Expenditure<sup>(a)</sup>

\$ million

	2015/16	2016/17	2017/18	2018/19	2019/20
Capital Costs	108.1	100.7	45.7	36.5	43.6
Of which: Cost of major projects <sup>(b)</sup>	92.8	85.8	39.5	31.7	19.0

(a) Excluding NPA

(b) Projects on the Enterprise Master Schedule

Source: RBA

operational efficiencies. Capital expenditure rose by 19.4 per cent in 2019/20, as the completion of the major project to modernise the Bank's banking systems was more than offset by an uplift in the Bank's ongoing program to upgrade its technology infrastructure. Future investment will focus on continuing to refresh existing assets, including substantial upgrades to the Bank's Head Office in Sydney and its training facility in Kirribilli (refer to the 'Facilities' section below). Improving the efficiency and effectiveness of the Bank's data management practices, and initiatives to further modernise internal systems and processes, especially those supporting staff, will also be a priority.

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 over the past nine years is shown below. The decrease in spending in 2019/20 reflected the completion of a number of consultancies in 2018/19.

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

\$

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

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

## Workplace Changes in Response to the COVID-19 Pandemic

From early March 2020, measures to protect employees from the spread of coronavirus and ensure the continuity of the Reserve Bank's operations were introduced. This culminated with the decision to establish 'split site' arrangements for the Bank's critical functions and the majority of the Bank's employees (around 95 per cent) working remotely with minimal disruption to day-to-day operations and without any adverse effects on IT security. The 'split-site' strategy involved separately locating employees between the Bank's Head Office and Business Resumption Site to undertake the Bank's most critical operational areas. This has served to protect the Bank's critical functions as well as ensure a safe and healthy workplace.

Employees working in the Beijing Office were repatriated to Australia and the repatriation offer was extended to the families of employees working in the Representative Offices in New York and London as well as employees studying overseas on Bank-funded study awards. The repatriation offer involved arranging flights and accommodation in serviced apartments for the duration of their two-week mandatory isolation. In the event, some of the employees studying overseas and none of the employees' families chose to return to Australia.

A 'split-site' arrangement was implemented at the Bank's banknote production and distribution sites in Craigieburn, Victoria. To the extent possible, the

number of employees working in those sites was also reduced to support critical functions only.

The Reserve Bank took a number of other actions in response to the COVID-19 pandemic to ensure the Bank's ongoing resilience. These included:

- identifying critical functions and staff as part of their business continuity plans and ensuring back-up arrangements operate as planned with allocated resources
- assessing the potential disruption to services and functions provided by the Bank and having contingency arrangements in place to ensure the continued operation of critical services and functions
- engaging with external third-party suppliers to ensure their business continuity arrangements were operating effectively and they had contingency arrangements to ensure the continued provision of goods and services.

For more information on the Bank's business continuity arrangements, see the chapter on 'Risk Management'.

In response to COVID-19, the Bank has worked to ensure the Bank's operations and staff have been able to adopt remote working practices, most notably extending video conferencing to enable Bank collaboration and remote computing services for all staff to access Bank systems. Bank systems were also enhanced to support the Bank's policy responses to the pandemic. These included: the Bank's real-time payments and core banking platforms to facilitate large-scale emergency and stimulus payments; implementing increases in FSS pool account limits to accommodate increased Exchange Settlement Account balances; and setting up the Term Funding Facility in the trading and risk management system.

In addition to the actions outlined above, the Bank's technology response to support



Chief Information Officer Gayan Benedict speaking at a virtual town hall for all RBA staff, September 2020

operational readiness during the COVID-19 pandemic has included:

- distributing additional technology equipment to facilitate remote working arrangements
- providing targeted staff training on technology collaboration services, including remote access connectivity and video conferencing
- undertaking periodic and frequent testing of remote working access and critical systems and technology
- monitoring the effectiveness of cyber resilience arrangements given increased numbers of staff working remotely and the increased use of email and video conferencing
- identifying and mitigating COVID-19 technology risks associated with the Bank's people, processes, systems and third-party relationships

- adapting the Bank's security patching and vulnerability scanning processes to accommodate the significant increase in Bank technology services accessed through remotely connected devices.

In the context of these new working arrangements, actions were also taken to manage the health and safety risks associated with the spread of the virus, namely:

- to ensure the safety of employees and visitors to Bank sites, controls were implemented to ensure adherence to Safework Australia guidelines, 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
- initiatives were introduced 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 (EAP) provider.

As the threat of the virus evolved and restrictions were relaxed in some parts of the country, the Bank arranged for a staged return to the office for staff who were unable to work productively from home. In July, the two Bank officers who had previously been repatriated from the Beijing Office resumed duties in Beijing. 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 form a major component of most of the Bank's strategic projects. The technology environment comprises more than 450 software applications, two highly available data centres and a highly resilient network infrastructure across multiple Bank sites.

Major technology-related projects completed in 2019/20 included the replacement of the Reserve Bank's core transactional banking systems and the establishment of operational real-time integration services into the New Payments Platform (NPP) for government agencies. The upgraded banking systems will ensure that the Bank's banking applications run on modern business technology and are capable of meeting the banking needs of Australian Government agencies. The NPP integration allows the Reserve Bank's government agency customers to access NPP payments directly from agency systems and payments to occur in near real time. This is important new functionality that will enable faster payment of disaster relief and payments to people in personal crisis situations.

Significant progress has also been made in modernising key aspects of the Reserve Bank's technology capabilities, including its network and banking systems infrastructure. These investments are designed to ensure that the Bank's applications run on modern networks with appropriate performance and security capabilities.

Cyber security continues to be a key focus for the Reserve Bank to ensure its cyber security capabilities are maintained and enhanced in response to external developments. Significant effort continues to be invested in ensuring the Bank's systems, testing and technology operations employ appropriate security controls



and monitoring. Ongoing threat monitoring and vulnerability assessments inform continuous security improvements, along with information-sharing with industry partners and agencies. During the year, the Bank was assessed by the Australian National Audit Office as having a mature implementation of the cyber security strategies recommended by the Australian Signals Directorate to mitigate cyber security incidents. It will continue to build on its security controls as these strategies and standards evolve. The Bank has also attained certification of its internet gateway and Payment Settlements functions to the ISO 27001 global standard for Information Security Management.

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 and payments services, and utilising cloud computing and managed services where appropriate.

## Data

The Reserve Bank's 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. The EDO seeks to manage data risk, optimise the Bank's data management activities to create more capacity for data analysis, and enhance analytical activity through the provision of better tools and methods, including use of 'Big Data' and emerging data science techniques.

In addition to resolving various short-term issues related to data use, the EDO is also responsible for the long-term development and maintenance of the Reserve Bank's systems, processes and capabilities for working with data. This includes defining appropriate data-related roles and

responsibilities, embedding best practices in working with the diverse range of data sets across the Bank, and overseeing the further consolidation and enhancement of the Bank's technology for storing, processing and analysing 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 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 \$538.2 million on 30 June 2020. The total value of the Bank's property portfolio has increased by \$24.4 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 \$6.8 million in 2019/20, compared with \$7 million in the previous year. The reduction is a result of the exit of an external tenant from the Bank's Head Office building in Sydney during the period.

During the year in review, the Reserve Bank completed detailed planning for the design of major building works at Head Office and the Coombs Centre. These works will upgrade base building infrastructure that is at end-of-life and ensure a safe, efficient and effective workplace to meet the long-term needs of the Bank, while preserving heritage features. The Head Office building works are subject to the approval of the

Parliamentary Public Works Committee, which was obtained in March 2020. The Bank's Canberra office building was also renovated in this period, and the construction of a new high-security vehicle gatehouse at the Craigieburn site commenced in early 2020, with completion expected by the end of this calendar year. A major upgrade of the electrical infrastructure at Head Office and the Business Resumption Site was completed, providing greater resilience for banking and payments operations. Works have also begun on increasing the Bank's data centre infrastructure efficiency and capacity.

## 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 as set out in the *Environment Protection and Biodiversity Conservation Act 1999*. They 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. These principles are captured in the Bank's Environmental Statement.<sup>1</sup>

During the year in review, the Bank implemented a number of practices to improve waste management, including:

- reducing the usage of single-use plastics and increasing diversion of waste from landfill

through the increased use of water stations and reusable water bottles

- introducing 'smart' communal waste bins to enable increased recycling and improved waste separation, resulting in the removal of 1,400 'under desk' plastic bins and preventing 30,000 plastic bin liners going to landfill annually.

A number of new and planned improvements to the performance of the infrastructure of the Reserve Bank's buildings were also undertaken in this period, including:

- completion of a 163kW rooftop solar panel installation for the Business Resumption Site
- enhanced demand-based operation for Head Office cooling and air-conditioning systems
- incorporation of building design features in the plans for the Head Office and Coombs Centre building redevelopments to improve their environmental performance and achieve increased National Australian Built Environment Ratings System (NABERS) and Greenstar ratings
- implementation of LED lighting at the Canberra office and Business Resumption Site and improvements to lighting control systems, reducing electricity consumption for lighting needs.

A feasibility study of solar panel installation at the Craigieburn facilities in Victoria is planned for 2020/21.

Electricity consumption at Reserve Bank-operated sites decreased by 2.6 per cent in 2019/20, compared with the preceding year. Gas consumption in 2019/20 was 2 per cent lower compared with the previous year, while water consumption in 2019/20 was 17.5 per cent lower than the previous year. These reductions were due in part to reduced activity on most sites as a result of COVID-19 responses.

<sup>1</sup> See <<https://www.rba.gov.au/about-rba/our-policies/environmental-statement.html>>.



## Procurement

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 32 contracts and eight 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. Their 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, and that effective process accountability and probity applies.