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PFA

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THIRD ITEM ON THE AGENDA

Building questions: Headquarters building renovation project

Purpose of the document

Report on progress made in respect of the headquarters building renovation project since the 315th Session of the Governing Body.

Relevant strategic objective: Not applicable.

Policy implications: None.

Legal implications: None.

Financial implications: None.

Follow-up action required: The paper is submitted to the Governing Body for debate and guidance.

Author unit: Department of Facilities Management (FACILITIES).

Related documents: GB.309/PFA/BS/2(&Corr.); GB.309/PFA/11/1; GB.310/PFA/BS/1; GB.312/PFA/5(&Corr.); GB.313/PFA/INF/2; GB.313/PFA/INF/2(Add.); GB.313/PFA/3/2; GB.315/6/1 and GB.316/POL/2.

Introduction

1. At its 309th Session (November 2010), the Governing Body approved a comprehensive plan for the renovation of the ILO headquarters building.¹ It also approved the replacement of the 16 main elevators in the building.² This paper provides information on the progress made since the 315th Session (June 2012) of the Governing Body with respect to the various activities that are part of the first phase of the renovation project (2011–15). It also contains, in two appendices, an updated risk register and information on project expenditure and financial commitments.

Replacement of elevators

2. The replacement of the 16 main elevators started in June 2012 and is progressing as planned. The replacement schedule foresees that by the end of October 2012 two new elevators will be in operation at each end of the building. Work will continue on the remaining elevators through the end of 2013.

Kitchens

3. The structural repairs to the floors, ventilation, plumbing and electrical installations in the kitchen areas started in July 2012. The works began in the self-service area of the cafeteria, the renovation of which was completed by the end of September 2012. Work also commenced on the relocation of the coffee shop from the R1 level to the R2 level near the entrance to the restaurant.³ The remaining works, which will be undertaken from November 2012 to October 2013, concern the kitchen areas themselves. While these works will be less visible to staff and visitors, their technical coordination and actual execution are rather complex since the kitchens need to remain operational during the entire period.

Project management

4. In May 2012, the contract for the services of a “project pilot” was awarded to a Swiss-Italian consortium. The pilot team, which comprises architects, engineers and other construction specialists, initiated preparatory activities in June 2012 by assessing the condition of the building, studying all plans and other available documentation and, where necessary, taking measurements. On the basis of this assessment, which will be completed by February 2013, the pilot team will prepare draft proposals for the renovation of the building as a whole. These proposals are expected to be ready in April 2013. Upon review and approval of the proposals by the Office, the pilot team will then prepare detailed technical specifications and plans for all works to be undertaken. These should be ready by September 2013. Finally, the pilot team will draft the documentation required to launch the international bidding process for the refurbishment of floors 1 to 11. It is expected that the bidding process will be launched in February 2014. The pilot team will also assist in the subsequent evaluation of the respective offers, which should be completed by May 2014. The actual refurbishment of floors 1 to 11 is expected to start shortly thereafter. During the

¹ For details of the plan see GB.309/PFA/BS/2(&Corr.).

² See GB.309/PFA/11/1.

³ See GB.312/PFA/5(&Corr.), para. 6.

first phase of the project two-thirds of the floors will be refurbished, while the renovation of the remaining one third will be undertaken in 2016 as part of the completion phase of the project (2016–18).

5. The Project Steering Committee established a small working group to study options for office design and layout for floors 1 to 11. The working group finished its work at the end of September 2012. Broader consultations with staff on the findings of the working group are planned for October–November 2012. The pilot team needs to be informed of the Office's final decision on this matter before the end of 2012 in order to be able to finalize its proposals in accordance with the schedule mentioned in paragraph 4.
6. The pilot team has reviewed the risk register for the project and its observations are reflected in the revised risk register attached as Appendix I to this paper.
7. In accordance with the views expressed by the Governing Body at its 313th Session (March 2012), the Office has recruited a project manager with an appropriate technical and private sector background. The project manager will take up his assignment in November 2012.
8. Regular meetings of the Project Steering Committee and of the project team continue to take place. The Deputy Director-General for Management and Reform will chair the Project Steering Committee and further monitoring mechanisms will be introduced to provide the Director-General with more frequent reporting on adherence to the budget and forecasted timelines.

Communication

9. Information on the project continues to be regularly updated on the ILO Internet and Intranet sites. Staff and visitors to the building are also being kept informed of the progress being made on the replacement of the elevators and the renovation of the kitchens by means of information notices and video displays located at the R2 level on each side of the building.

Project budget

10. Appendix II provides updated information on project expenditure incurred under the Building and Accommodation Fund and the regular budget, as recorded at the end of August 2012, as well as on existing and planned financial commitments for the period 2012–15. The amounts indicated under expenditure and current commitments reflect all contracts signed to date. The project remains within the approved budget level of 89.1 million Swiss francs (CHF). The apparent underestimation for kitchen renovations is due to a number of reasons. Most importantly, the provisions included in the comprehensive plan approved by the Governing Body in November 2010 were based on the estimates from preliminary studies undertaken early in 2010, which, as described at the time, were subject to industry standard provisions of plus or minus 15 per cent. Account also has to be taken of inflation since 2010. While general inflation in Switzerland continues to be low, inflation indices for the Swiss construction sector show considerably higher than average inflation rates. This is in particular the case for kitchen fittings, for which inflation reached 11 per cent over the last 18 months and for technical installations in sub-floors, for which inflation amounted to some 15 per cent. The higher cost of the kitchen renovation is covered by budgetary provisions for inflation and unforeseen expenditure.

11. Finally, as reported to the Governing Body in November 2011,⁴ it was decided to relocate the coffee shop from the R1 to R2 level, thus making some 400 square metres of space available on R1 for use as office and storage space. The cost of the necessary works, estimated at CHF276,000, could not have been foreseen in the initial estimate for the renovation of the kitchen and cafeteria areas since it was originally planned to undertake any works other than the renovation of the kitchen areas themselves and the refurbishment of two-thirds of floors 1 to 11, only during the completion phase of the project (2016–18). Given the opportunities for overall cost savings by undertaking the works during the first phase and gaining additional space availability, especially in view of the subsequent decision to no longer construct temporary accommodation, it made sense to complete the refurbishment of the vacant coffee shop area whilst the contractors were operating in this area of the building. The total estimated costs for phase 1 of the project remain within the approved budget level. As the work of the project pilot advances and more accurate cost data become available, revised budgetary information and cost estimates for the refurbishment of floors 1 to 11 and the other works listed in the comprehensive plan will be presented to the Governing Body.

⁴ GB.312/PFA/5 (&Corr).

Appendix I

ILO headquarters building renovation project phase 1 risk register (version 2, August 2012)

1	Governance, management and planning	Key			
2	Steering	Probability	Proximity	Impact	
3	Works	H: high	C: close	H: high	
4	Refurbishment floors 1 to 11 (two-thirds)	M: moderate	M: medium	M: medium	
5	Renovation of kitchens	L: low	F: far	L: low	
6	Replacement of elevators				
7	Construction of annex				
8	Asbestos survey				
9	Link with phase 2				

No.	Risk	Probability	Proximity	Impact (cost)	Impact (delay)	Impact (quality)	Mitigation	Residual risk
1	Governance, management and planning							
1.1	Governance and management							
1.1.1	Project governance and management processes not clearly defined, resulting in confusion regarding roles and responsibilities and accountability.	M	C	M	H	M	Clearly defined terms of reference for Steering Committee, project team, project pilot and project manager.	Low
1.1.2	Insufficient in-house capacity to manage large-scale project of this kind.	M	C	H	H	M	Recruitment of qualified staff for project team.	Low
1.2	Responsibilities							
1.2.1	Potential scope creep, cost over-runs and delays not detected on time due to inadequate wording of contracts.	M	C	H	M	L	Precise, legally tight, fixed price contracts.	Medium

No.	Risk	Probability	Proximity	Impact (cost)	Impact (delay)	Impact (quality)	Mitigation	Residual risk
1.2.2	Potential scope creep, cost over-runs and delays not detected on time due to inadequate monitoring, reporting and accounting procedures.	M	M	H	H	L	Reporting schedules fully respected; project Steering Committee to establish well-defined thresholds for escalation and approval of change orders.	Low
1.2.3	Aggravated risks are not properly disclosed to insurers resulting in refusal of benefits at time of claim.	M	C	H	L	L	Steering Committee on Insurance Coverage (SCIC) to advise on disclosures to be communicated and additional insurance to be placed, if necessary.	Low
1.2.4	Waivers of liability are inadequately worded or communicated resulting in unintended liability in the event of material damage, personal injury, illness or death.	M	C	H	L	L	Waivers are adequately worded and communicated.	Low
1.2.5	Project pilot and other contractors do not have sufficient insurance coverage to cover claims regarding technical defects, accidents, etc.	L	C	H	M	L	Contracts require adequate insurance coverage.	Low
1.2.6	Project pilot cannot perform all its tasks due to prolonged absences or resignation of some of its staff.	M	M	M	M	M	Contract with project pilot to provide assurance absences can be met through timely replacement.	Low
1.2.7	Contract disputes with one or more contractors result in delays in related works.	M	C	M	H	L	Contract wording to contain effective dispute resolution mechanisms.	Medium
1.3	Laws, regulations, standards, procedures							
1.3.1	Applicable health and safety standards not respected, resulting in accidents and litigation.	L	M	L	M	L	Contract terms concerning safety and health clearly defined and consistent with local safety standards; measures taken to ensure their compliance.	Low
1.3.2	Contractors do not respect applicable ILO labour clauses or collective agreements.	L	M	L	M	L	Contract terms concerning employment conditions clearly defined; regular monitoring through specialized legal services.	Low
1.3.3	Unexpected delay in implementing procedures in consultation with host country.	H	M	L	M	L	Prior consultations to be held with the public services concerned to agree on the best procedure to follow.	Low

No.	Risk	Probability	Proximity	Impact (cost)	Impact (delay)	Impact (quality)	Mitigation	Residual risk
1.3.4	Technical and/or financial difficulties in bringing the building or any part thereof into conformity with local fire safety and accident regulations.	H	C	H	M	L	Assistance from expert consultants in planning security facilities so that they may be introduced at the earliest possible stage of the project.	Medium
1.3.5	Technical and/or financial difficulties in bringing the building or any part thereof into conformity with local workplace hygiene regulations.	H	C	M	L	M	Assistance from expert consultants in planning hygiene facilities so that they may be introduced at the earliest possible stage of the project.	Low
1.3.6	Technical and/or financial difficulties in bringing the building or any part thereof into conformity with local regulations governing accessibility for persons with disabilities.	H	C	L	L	L	Assistance from expert consultants in planning facilities aimed at persons with reduced mobility so that they may be introduced at the earliest possible stage of the project.	Low
1.3.7	Technical and/or financial difficulties in ensuring that the building or any part thereof meets the standards set for abandoning the use of fossil fuels.	H	C	H	L	L	Consortium responsible for developing the project takes into consideration the request of the ILO and seeks the best solutions from a technical and budgetary perspective.	Medium
1.4	Funding							
1.4.1	Approved budget insufficient to fund all foreseen and unforeseen activities.	L	F	H	M	L	Fixed-price contracts with clear technical specifications; strict budget control and forecast procedures; contingency reserve.	Low
1.5	Planning							
1.5.1	Original planning not realistic, resulting in implementation delays and cost over-runs.	M	C	H	H	M	Each element of the project has clearly defined milestones to enable monitoring of progress; penalty clauses in contracts with contractors; day-to-day monitoring by project pilot and project team.	Medium
1.6	Scheduling							
1.6.1	Scheduling takes more time than expected and is only carried out in part.	M	M	H	H	H	Establishment of intervention area and detailed technical specifications. Optimized decision-making process.	Low

No.	Risk	Probability	Proximity	Impact (cost)	Impact (delay)	Impact (quality)	Mitigation	Residual risk
1.6.2	The Steering Committee takes a long time or fails to submit its recommendation on office layout.	L	C	H	H	L	Director-General to decide in the event of deadlock.	Low
1.7	Communication							
1.7.1	Lack of communication with ILO staff leads to confusion, misunderstandings, demotivation and complaints.	M	M	L	L	L	Develop transparent and effective communication strategy; include staff representatives in project team.	Medium
1.7.2	Lack of communication with the Governing Body leads to confusion and misunderstandings.	M	M	L	L	L	Regular progress reporting to Governing Body and site visits for constituents.	Low
2	Steering							
2.1	Relations with the project pilot							
2.1.1	Information not shared between Steering Committee, project team, project pilot and project manager, resulting in inability to take timely and informed decisions.	M	M	H	H	M	Regular meeting and reporting schedules established and fully respected.	Low
2.1.2	Lack of communication with ILO constituents leads to confusion and misunderstandings.	M	M	L	L	L	Regular progress reporting to Governing Body and site visits for constituents.	Low
3	Works							
3.1	Materials							
3.1.1	Materials used by contractors do not conform to technical specifications of the respective request for proposals (RFP) resulting in need for extensive repairs after project completion.	L	M	H	H	H	Testing of materials used by project pilot; guarantee provisions in contracts; retention of 10 per cent of contract amount until works formally accepted by ILO.	Low
3.2	Technical issues							
3.2.1	Unforeseen technical problems make it impossible to finish refurbishment on time and within budget.	M	F	H	H	M	Precise wording of contracts with project pilot and general contractor to ensure risk is shared.	Low

No.	Risk	Probability	Proximity	Impact (cost)	Impact (delay)	Impact (quality)	Mitigation	Residual risk
3.3	Nuisances							
3.3.1	Works create more noise and dust nuisance than expected.	L	M	L	L	L	Make sure separation walls sufficiently thick and noise-absorbing.	Low
4	Refurbishment of floors 1–11 (two-thirds)							
4.1	Scheduling							
4.1.1	Refurbished offices do not meet ILO functional needs or expectations of staff.	L	F	L	L	M	Extensive consultations with management and staff before specifications established by project pilot.	Low
4.1.2	Operation of new technologies introduced is not self-evident, resulting in initial negative reaction by staff (e.g. automatic blinds).	L	F	L	L	L	Training programme for staff to be able to operate new technology.	Low
5	Renovation of kitchens							
5.1	Unforeseen technical difficulties make it necessary to close cafeteria during one or more periods.	L	M	L	M	H	Arrange limited catering elsewhere in building.	Low
5.2	Customers not satisfied with new layout self-service and coffee shop areas.	L	F	L	L	H	Discuss proposed layout with Restaurant Committee before plans finalized.	Low
6	Replacement of elevators							
6.1	Replacement takes longer than foreseen.	L	M	L	H	L	Penalty clauses in contract.	Low
6.2	Unacceptable waiting times for remaining elevators during installation period.	M	M	L	L	L	Replace elevators one by one.	Low
6.3	Elevators not functioning properly after replacement.	L	M	L	L	H	Include precise guarantee provisions in contract.	Low
7	Construction of annex (no longer going ahead)							
8	Asbestos survey (completed) Unexpected discovery of asbestos beyond survey slowing down works							

No.	Risk	Probability	Proximity	Impact (cost)	Impact (delay)	Impact (quality)	Mitigation	Residual risk
9	Link with phase 2							
9.1	Failure to account for the consequences of works carried out during phase 1 for works to be carried out during phase 2.	L	C	H	H	L	Technical specifications of project pilot provide for the preparation of the draft project and the project for the building as a whole.	Low

Appendix II

Headquarters building renovation project financial status as at 31 August 2012 (in thousand CHF)

	Approved budget	2010–11 Expenditure	2012–13 Expenditure	Current commitments	Planned	2014–15 Planned	2010–15 Total
Building and Accommodation Fund							
Comprehensive plan ¹							
Asbestos survey	336		141	11			152
Kitchens	4 144	242	898	4 239			5 379
Floors 1 to 11	56 448		1 078	5 750		49 620	56 448
Project staff	6 000		350	1 042	514	4 094	6 000
Temporary offices	7 500		28			2 000	2 028
Moving costs	1 500					1 000	1 000
Insurance and miscellaneous	400					400	400
Inflation	5 700						
Unforeseen	7 100		138	138			276
Total	89 128	242	2 633	11 180	514	57 114	71 683
Replacement of elevators ²	4 300	40	1 258	2 889	100		4 287
Regular budget							
Preliminary studies temporary offices		216				71 683	71 899

¹ Approved in November 2010 (see GB.309/PV, para. 294(a) and GB.309/PFA/BS/2(&Corr.)).

² Approved in November 2010 (see GB.309/PV, para. 296 and GB.309/PFA/BS/4).