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PFA

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SECOND 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 316th Session of the Governing Body. Submitted for debate and guidance.

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: Headquarters building renovation project (Deputy Director-General for Management and Reform).

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/PFA/3.

Introduction

1. At its 309th Session (November 2010), the Governing Body approved a comprehensive plan for the renovation of the ILO headquarters building in two phases.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 316th Session (November 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. By the end of February 2013, four new elevators will be in service at each end of the building. The replacement schedule foresees that all 16 new elevators should be fully operational shortly before the October 2013 session of the Governing Body.

Kitchens

3. The structural repairs to the floors, ventilation, plumbing and electrical installations in the kitchen areas started in July 2012. The works in the self-service area of the cafeteria and the relocation of the coffee shop from the R1 level to the R2 level were completed in 2012. The remaining works, which concern the kitchen areas themselves, are progressing according to schedule. They should also be completed before the October 2013 session of the Governing Body.

Governance

4. Steps are being taken to ensure clarity of the roles and responsibilities of the various Office units and standing bodies involved in the renovation project. The aim is to strengthen the efficiency, predictability and accountability of the project's governance as the project proceeds.
5. An organizational matrix has been prepared and is under consideration in order to ensure representation by all key stakeholders while keeping their individual input as focused as possible.

Project management

6. The Project Manager assumed his duties on 7 November 2012 and since then he has held various meetings with the project team and the project's Steering Committee. The outcomes of the various meetings have included a better definition of the scope and a common understanding of the project's objective and deliverables. A standardized, modular approach to the closed offices and to the mechanical, electrical and plumbing

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

² See GB.309/PFA/11/1.

distributions has been defined, which will enable the engineering team to work effectively while reducing infrastructure and future running costs.

7. A reporting strategy has been established, including weekly reports by the Project Manager to the Deputy Director-General for Management and Reform, monthly reports to the project's Steering Committee, which in turn reports with recommendations to the Director-General, and regular reports to the Governing Body.
8. 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.

Project Manager's role

9. The Director-General has appointed the Project Manager to ensure, inter alia, that all decisions made meet the Office's requirements, in terms of budget, timing, quality, flexibility, serviceability and safety.
10. The Project Manager seeks to ensure that the ILO staff is in a position to answer the consultants' and contractors' questions efficiently and effectively in order to avoid any cause for delay or extra costs.
11. The Project Manager is responsible for all phases of the project, such as:
 - (a) Project definition – participate in defining the user's requirements and ensure that all parties involved have the same understanding of the project's aim.
 - (b) Strategy definition – participate in defining the contract strategy and the construction strategy.
 - (c) Design phase reviews – organize and participate in the review and approval of the various design submittals and overall constructability.
 - (d) Cost management – review and challenge cost estimates, define the budget allocations by work packages, follow up on spending and commitments, define work completion and forecast final cost.
 - (e) Scheduling – review and challenge proposed schedule, follow up on works and identify where catch-up measures are required.
 - (f) Contractor selections – participate in bid opening and evaluation and assist in contractor selection.
 - (g) Onsite management – follow-up on construction phases and progress, provide contract administration and inspect works with respect to requirements.
 - (h) Handover – organize and set-up the handover process to ensure that all requirements have been met and that the ILO technical staff is trained to operate the new installations.
12. The Project Manager reports directly to the Deputy Director-General for Management and Reform.

Communication

13. 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 by means of information notices and video displays located at the R2 level on each side of the building.
14. An updated communication strategy is being devised, with a greater emphasis on ensuring staff participation.

Project budget

15. Appendix II reflects project expenditure incurred as at the end of December 2012, as well as existing and planned financial commitments. The amounts indicated under expenditure and commitments reflect all contracts signed to date. The total estimated costs for the first phase of the project remain within the approved budget level of 89.1 million Swiss francs (CHF).
16. The format of Appendix II used in previous reports to the Governing Body has been adapted in the present paper to reflect that of a construction project finance report, giving a clearer indication of the overall final cost of the project.
17. Further to a request by the Governing Body, the project team and project pilot are working on an improved definition of the works, in order to provide a revised and more detailed budget. This will be made available in the next report to the Governing Body on the building renovation project. This redefinition of the works and budget will fully reflect the consequence of the decision not to construct the temporary building for use as swing space.

Schedule

18. The schedule of works will be developed shortly after the basic design completion. A full detailed analysis will have to be carried out, taking into account all the constraints linked to having the building “in full working order” while the works are ongoing. The current design schedule has the basic design phase completed for 1 May 2013, the detailed design phase completed for 15 September 2013 and all bid documentation completed for 1 February 2014.

Appendix I

ILO headquarters building renovation project phase 1 risk register (version 3, January 2013)

	Key		
1. Governance, management and planning	Probability	Proximity	Impact
2. Steering	H: high	C: close	H: high
3. Works	M: moderate	M: medium	M: medium
4. Refurbishment floors 1–11 (two-thirds)	L: low	F: far	L: low
5. Renovation of kitchens			
6. Replacement of elevators			
7. 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.	L	C	M	H	M	Clearly defined terms of reference for project governance and its alignment with existing rules and procedures, and for 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 overruns and delays not detected on time due to inadequate wording of contracts.	M	C	H	M	L	Precise, legally sound, 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.	L	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. The Project Manager ensures transparency with the insurer in the event of an incident.	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 in line with local safety standards; measures taken to ensure compliance with them.	Low

No.	Risk	Probability	Proximity	Impact (cost)	Impact (delay)	Impact (quality)	Mitigation	Residual risk
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 with clear enforcement provisions; measures to review contract implementation.	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
1.3.4.	Technical and/or financial difficulties in bringing the building or any part thereof into line with local fire safety and accident standards.	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 line with local workplace hygiene standards.	M	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 line with ILO standards 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

No.	Risk	Probability	Proximity	Impact (cost)	Impact (delay)	Impact (quality)	Mitigation	Residual risk
1.5.	Planning							
1.5.1.	Original planning not realistic, resulting in implementation delays and cost overruns.	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
1.6.2.	Delays in submitting recommendations 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.	L	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 the 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. Establish a decision plan in order to ensure that the project pilot's questions are answered in a timely manner.	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

No.	Risk	Probability	Proximity	Impact (cost)	Impact (delay)	Impact (quality)	Mitigation	Residual risk
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 the 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 contractors to ensure risk is shared.	Low
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

No.	Risk	Probability	Proximity	Impact (cost)	Impact (delay)	Impact (quality)	Mitigation	Residual risk
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.	L	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.	Link with phase 2							
7.1.	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 December 2012 (in thousand CHF)

Period: 1 September to 31 December 2012

Description	Budget phase 1	Expenditure		Commitments		Forecast phase 1		Budget phase 2	Budget total
	Original budget	Period	To date	To date	Planned	Forecast	Variance	Original budget	Original budget
Asbestos survey	336		141		11	152	-184		336
Kitchens	4 144	1 403	2 405	2 942	32	5 379	1 235		4 144
Floors 1 - 11	55 776	1 078	2 156	9 424	44 196	55 776		29 904	85 680
Replacement of Gerber supports								1 792	1 792
Sprinkler in car parks								1 568	1 568
Treatment of exposed concrete								2 688	2 688
Electrical substations								2 240	2 240
Conference rooms								8 960	8 960
Lower floors								22 064	22 064
Double glazing colonnade								3 584	3 584
Remaining elevators								1 792	1 792
Remaining roofs								4 032	4 032
Triple glazing office windows	672				672	672		336	1 008
Use of "Genève-Lac-Nations" project for heating								9 184	9 184
Temporary offices	7 500		28		6 421	6 449	-1 051		7 500
Moving costs	1 500				1 500	1 500		500	2 000
Project management (project staff)	6 000	247	597	668	4 736	6 000		3 000	9 000
Insurance and miscellaneous	400				400	400		500	900
Subtotal	76 328	2 728	5 327	13 034	57 968	76 328	0	92 144	168 472
Unforeseen	7 100	138	276		6 824	7 100		10 200	17 300
Inflation	5 700				5 700	5 700		11 900	17 600
Grand total	89 128	2 866	5 603	13 034	70 491	89 128	0	114 244	203 372
Elevators	4 300	638	1 936	2 341	10	4 287	-13		4 300

Definitions:

Budget: Original budget	Budget approved by the Governing Body at its 309th Session (November 2010)
Expenditure: Period	Expenses incurred within the period stated in the report
To date	Total expenses incurred to date
Commitments: To date	Contracts issued less progress payments made
Planned	Contracts yet to be concluded
Forecast: Forecast	Estimated final cost, based on current knowledge of the project
Variance	Difference between forecast and budget. A negative value shows a forecasted saving on budget