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Programme, Financial and Administrative Section
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THIRD ITEM ON THE AGENDA

Update on the headquarters building renovation project

Purpose of the document

This paper provides information on the current status of, and developments with regard to, the renovation of the ILO headquarters building since the 326th Session of the Governing Body in March 2016. It also provides information on the currently out-of-scope works and its financing (see draft decision in paragraph 23).

Relevant strategic objective: None.

Policy implications: None.

Legal implications: None.

Financial implications: No immediate implications; subject to decisions of the Governing Body.

Follow-up action required: Further progress report in March 2017.

Author unit: Office of the 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/INS/6/1; GB.316/PFA/3; GB.170/FA/BS/D1/2; GB.317/PFA/2; GB.319/PFA/4; GB.320/PFA/5(Rev.); GB.322/PFA/3; GB.323/PFA/3; GB.325/PFA/1; and GB.326/PFA/3.

Key developments

1. Projections show that cost savings will be realized from value engineering (engineering and architectural reviews) carried out since the start of the renovation works, in close collaboration with the management contractor. These savings can principally be attributed to market prices, strong commercial negotiations, a construction change in the renovation of the building facade and a technology change in the building management system. Concretely, the facade renovation is being carried out with the panels left in place, as opposed to removing the entire outer skin and then reinstalling it in front of the new insulation. This change, supported and approved by the Swiss and Geneva authorities, simplifies the renovation process, reduces the risk of damage to the facade panels, and will have no impact on staff comfort or on the building's efficiency. As for the building management system, it has been changed in keeping with technical developments, and now reflects current best practice standards, while allowing for future growth.
2. The painstaking work of review and redesign has required a considerable amount of time and has put a strain on the initial scheduled completion date of the southern end of the building by year-end 2016, but will not affect the end of 2019 deadline for the completion of floors 1–11.
3. The mechanical, electrical and plumbing works are all ongoing, together with the other fit-out works. The new thermal insulation and windows have been installed with only the 11th floor remaining to be completed.
4. The facade panels have all been cleaned and new sealing joints installed.
5. Factory acceptance tests have been carried out with suppliers to ensure production levels, quality standards and avoid issues on-site.
6. There have been very few safety and health issues despite having over 180 workers on site. The impact of the renovation works on the everyday functioning of the Office remains very low. Minor issues due to noise and/or vibrations have been resolved speedily.
7. The project team has maintained regular contact with the local authorities and has organized meetings with the Swiss authorities, the local workers' unions and employers' organizations, regarding contractors' compliance with labour and social security legislation. Local worksite inspectors visit regularly the work site but have not so far reported any irregularities.

Upcoming works

8. The architectural finishes will proceed shortly with the erection of the glass and the demountable office partitions, followed by the laying of the carpet. The electrical, ventilation and piping work are continuing with installation, integration into building automation systems and various commissioning tests.
9. The openings in the roof for the overpressure system have begun, but more work still has to be carried out to complete this fire protection system.
10. Training and acceptance protocols will be drawn up and implemented in collaboration with the internal maintenance teams for a smooth transition from worksite to operational systems.

11. As the works of the southern third of the building progress, the project team is planning the renovation works of the middle third, due to start in early spring 2017. In order to maintain the momentum and keep improving the safety of the building, renovation works will continue during the transition period, with the renovation of the staircase located on the borderline of the worksite and the offices.

Project budget

12. The total budget remains within the limits of the financial plan previously endorsed by the Governing Body, namely, some 205 million Swiss francs (CHF). As announced at the March 2016 Governing Body session, savings being generated by the value engineering will be reallocated to the provision for unforeseen costs and to the partial renovation of the lower floors:

Financial update, as at 31 August 2016

	CHF('000)
Approved budget	205 549
Contracts issued	197 755
Expenditure to date	61 391

Renovation of lower floors

13. Following the report to the Governing Body in March 2016, a review of the unfunded works, ¹ totalling CHF120 million, has been carried out. Safety and health has been given priority. The prioritized works, estimated at some CHF71.9 million, are described below:

(a) Conference centre (CHF32.4 million):

- (i) renovation of offices around the conference centre, in keeping with safety, health and quality standards defined for the main building; this would ensure staff and delegates' safety while improving the building thermal efficiency and reducing its carbon footprint;
- (ii) renovation and fire safety code compliance works, in addition to the large bay window emergency exits within the current scope, in the conference rooms; this would increase the safety of delegates and other users of the conference centre;
- (iii) renovation of the colonnade (replace single glazed windows with double glazing and update lighting); this would improve the building's thermal efficiency and reduce the energy consumption by some 300 mWh/year;

(b) Other areas (CHF30.1 million):

- (i) renovation of offices, in keeping with safety, health and quality standards defined for the main building; this would ensure staff safety while improving the building thermal efficiency and reducing its carbon footprint;

¹ As reported in GB.320/PFA/5(Rev.).

- (ii) redistribution and fire compartmentalization of the archive room (R2); this would improve the safety of the ILO's archives and reduce the risk of irreparable loss;
 - (iii) replacement of the large bay windows in the restaurant area (R2); this would improve the building thermal efficiency and reduce its carbon footprint;
 - (iv) replacement of the glazing for the M3 offices; this would improve the building thermal efficiency and reduce its carbon footprint;
- (c) Parking (CHF9.4 million):
- (i) Fire safety code compliance works, including installation of sprinklers, and additional fire compartmentalization and evacuation stairways. This would ensure the safety of people using the parking areas.
- 14.** The capacity to undertake these required works will be considered if and when funding becomes available. The full realization of the projected benefits, particularly in respect of reduced energy consumption and improved environmental performance from the renovation of the entire building will be deferred, pending the completion of the works.
- 15.** The remaining unfunded renovation works, totalling CHF48.1 million, could be considered lower priority, and are described below:
- (a) Conference centre (CHF20 million):
- (i) full renovation of rooms II, III, IV, V, VIII, IX and the Governing Body room, excluding furniture but including all lighting, air handling units and building management controls;
 - (ii) the interpreters' booths in the abovementioned conference rooms will be widened and renovated to meet agreed ISO standards;
 - (iii) renovation of the library infrastructure and finishes;
- (b) Other areas (CHF26.3 million):
- (i) full renovation of the general services areas, excluding the restaurant and the recently renovated areas included in the HSU-DCOMM project (offices on R1 and M3, and the medical service on R3);
 - (ii) works on the remaining elevators;
 - (iii) further treatment of exposed concrete;
 - (iv) renovation of the loading bays, storage facilities and associated logistical areas in keeping with necessary safety and quality standards;
- (c) Parking (CHF1.8 million):
- (i) removal of storage areas;
 - (ii) increased signage;
 - (iii) replacement of remaining Gerber supports.

16. Should there be an urgent need due to a breakdown or a failure of the existing equipment or infrastructure, maintenance budgets will, to the extent possible, be reprioritized, to meet this need.
17. It is recalled that the design work and the terms of reference for the complete renovation of the lower floors, total CHF120 million, are ready to be advertised subject to funding for the works becoming available. Should the works be carried out piecemeal, the total cost would increase, as the buying power would reduce, discounts for large quantities would not be applicable, site installations would have to remain longer or might have to be dismantled and reinstalled at a later date, and the project management team would have to stay longer or might have to be disassembled and a new project team might have to be hired when required. Furthermore, the terms of reference would have to be redrafted to fit with any readjusted scope.

Financing and potential donation packages

18. The loan from the Swiss Confederation, included within the financing plan, was approved by the Federal Council in February and by the National Council in June 2016. Dependent on final parliamentary approval by the Council of States, the funds should be available as of January 2017. The interest rate will be set at the time of the loan agreement.
19. The Office has taken good note of the Governing Body's reluctance to commit to funding the complete renovation works of the lower floors, as described in document GB.326/PFA/3, and its encouragement for the Office to seek other sources of funding. At present, the Office is still considering various options, such as donations from member States for the renovation of conference rooms, donations for greening initiatives and potential subsidies from the Swiss authorities related to environmental protection. Investigations to date indicate that the potential funding sources identified would not make a significant contribution towards the overall costs of the works required to complete the lower floors and further consultations with member States will be required to address the shortfall.
20. Following the Governing Body's request at the March 2016 session that the Director-General prepare a list of potential donation packages, detailed discussions have been held with the United Nations Office at Geneva (UNOG) on its approach to donor funding of the renovation of the *Palais des Nations*. A donor policy is currently being developed and a schedule of donor opportunities is being prepared based on the following packages:

Areas	Location	Indicative value (CHF'000)
GB room	R3	3 000
Room I	R3	300
Room II	R3	1 500
Room III	R3	500
Room IV	R3	500
Room V	R3	1 000
Room VI	R3	300
Room VII	R2	400
Room VIII	R2	400
Room IX	R2	1 000
Room X	R2	300

Areas	Location	Indicative value (CHF'000)
Room XI	R2	1 000
Elimane Kahn	M3	300
Cinema	R2	2 500
Delegates Lounge	R3	1 000
Library	R2 + R3	3 500
Gobelin space	R2	2 500
Colonnade	R3	3 500
Total		23 500

- 21.** The indicative values given in the table above are for the renovation of the respective areas and their infrastructure. They include the corresponding costs of project oversight and related costs. These values, however, do not include new furniture, artwork restoration or costs due to delays, such as reforming a project team or reinstalling worksite infrastructures, at a future date. Any donations received would reduce the unfunded portion of the project and consequently the need to call on funding from other sources.
- 22.** The Office has entered into discussions with local authorities regarding potential subsidies to cover environmental protection works, such as the insulation of the building and the use of renewable energy sources for its heating. Discussions have also continued with the local energy provider (SIG) to implement an energy hub within the ILO grounds that would provide heating and cooling energy from renewable sources for the Office and local organizations, in particular the WHO headquarters. The hub would be owned and managed by the SIG, which is an autonomous public company owned by the State of Geneva, the City of Geneva and the Geneva communes. Such an arrangement would result in the SIG assuming ownership and maintenance responsibility for the energy supply.

Draft decision

- 23. *The Governing Body takes note of the progress report regarding the headquarters renovation project.***