|  |  |
| --- | --- |
| **Council 2020** |  |
|  |  |
|  |  |
| **Agenda item: ADM 20** | **Revision 1 to Document C20/7-E** |
| **5 October 2020** |
| **Original: English** |
| Report by the Secretary-General | |
| PROGRESS REPORT ON THE UNION’S HEADQUARTERS PREMISES PROJECT | |

|  |
| --- |
| Summary  To provide a progress report and follow-up, on the progress made to date for the design and construction of the Union’s Headquarters Premises Project.  Action required  The Council is invited **to consider** this report.  References  [Council Decision 588](https://www.itu.int/md/S16-CL-C-0124/en); [Resolution 212 (Dubai, 2018)](https://www.itu.int/en/council/Documents/basic-texts/RES-212-E.pdf); [C18/123+Add 1](https://www.itu.int/md/S18-CL-C-0123/en); [DL/12](https://www.itu.int/md/S19-CL-190610-DL-0012/en), [C16/7](https://www.itu.int/md/S16-CL-C-0007/en); [C19-ADD/2(Rev.1)](https://www.itu.int/md/S19-CLADD-C-0002/en); [Council Decision 619](https://www.itu.int/md/S19-CLADD-C-0005/en); [Document C20/37](https://www.itu.int/md/S20-CL-C-0037/en); [C20/29](https://www.itu.int/md/S20-CL-C-0029/en); [C20/53](https://www.itu.int/md/S20-CL-C-0053/en); [C20/15](https://www.itu.int/md/S20-CL-C-0015/en); [C20/7](https://www.itu.int/md/S20-CL-C-0007/en) |

1. **Introduction**

Decision 619 was adopted at the additional session of the Council held in Geneva on 27 September 2019, approving the final direct Project cost of the Union’s New Headquarters Building of CHF 170,139,000, as described in C19-ADD/2, financed entirely by the available funding of CHF 150,000,000 host country loan, CHF 15,140,000 sponsorships and donations, and CHF 5,000,000 new building fund. To date the project cost is unchanged.

1. **Background**

**2.1** At its additional session, the Council instructed the Secretary-General to provide progress on activities that must be pursued and to report back at the Council session in June 2020. Because of the pandemic outbreak, instead of a physical meeting which has been postponed to a later date. a virtual consultation of councillors took place in June 2020.

The virtual consultation proposed to the next physical meeting of the Council to note the report contained in Document C20/7.

As requested by the councillors, this status report is being updated by the secretariat and replies to the questions raised and comments made during the virtual consultation.

Further, the councillors encouraged the secretariat to prepare considerations on the impact of COVID-19, conduct further investigations on the different sale options of the Tower for the next MSAG meeting and report to the next physical meeting of the Council.

1. **Project Status Report**

**3.1 Design update**

Phases 4.32 and 4.33 are being developed in parallel as the Project evolves and are scheduled for completion as planned by the end of this year.

**3.1.1 Construction Project Stage (phase 4.32)**

Phase 4.32 is proceeding as per the anticipated project schedule.

Since the outbreak of the pandemic and because of the uncertainty of the Covid impact on the development of the future office design, the team focussed mainly on the programme confirmation and development of the public and conference areas. The four administrative floors of open office spaces have been developed to be as flexible as possible in terms of technical infrastructure to accommodate the design requirements that will be defined once a comprehensive strategy defining the impact on our ways of working will be finalised.

In October, the cost estimate of phase 4.32 will be available and the planned value engineering[[1]](#footnote-2) session will take place.

**3.1.2 Construction Permit Request (phase 4.33) and consultation of Local Authorities**

The development of the construction permit request is proceeding as planned. Virtual consultations with the different Cantonal Offices are taking place and some minor issues have been addressed prior the submission of the documents.

Schedule for the submission of documents is as follows:

* November 2020 - Submission of draft Permitting Request
* December 2020 - Submission of Permitting request to local authorities

Estimated time to obtain the construction permit is between 3 to 6 months.

**3.2 Implementation of UNDSS requirements for UN MOSS compliance on the public domain**

The requirement for the implementation of UNDSS requirements is part of a separate process initiated together with the Host Country to address UN MOSS compliance on the public domain.

During the virtual consultation of councillors in June, the councillor from Switzerland announced that the timeline of the host country feasibility study of implementation of security measures on the public domain, is contingent on two things:

* Submission of the application for a construction permit, planned to be on 18 December 2020;
* The decision of the Geneva cantonal authorities on mobility in the sector. In this regard, the ITU has been invited to a presentation on the subject that is going to take place on the 8 October 2020.

Considering those two factors and the impact of the COVID-19 pandemic, the study’s terms of reference would not be defined before the first quarter of 2021 and the first results of a feasibility plan would not be available before early 2022.

Nevertheless, the Host Country reassured the ITU that the schedule of the feasibility study and the implementation of measures remains fully compatible with the commissioning date planned for the new building.

**3.3 Sponsorship and Donations**

Since the adoption of Decision 619, ITU has not received additional Sponsorship nor Donation.

According to Decision 619 *decides 4*, any future sponsorships or donations will only be applied to offset the final direct project cost without creating any new indirect costs or further delays to the project, and will not increase the amount of the approved final direct project cost of CHF 170,139,000. This makes it unlikely that there will be further sponsorship.

As an example, a sponsor might wish to enhance the building by offering a marble floor in the lobby instead of the basic concrete floor. This would increase the project cost but would not increase the cost to ITU and could even reduce the cost to ITU as the cost of the concrete floor would be deducted from total cost to ITU.

The secretariat therefore requested MSAG to discuss and advise the Council to reconsider decides 4 in order that additional sponsorship and donations would be acceptable even if they resulted in an increase in the project direct and/or indirect costs but provided they do not increase the cost to ITU. MSAG discussed the issue at its meeting held in July and agreed that it has *no conclusion on this request, except to agree with the importance for a timely agreement on the matter and to remind all that donations do not have an impact on costs.*[[2]](#footnote-3)

**3.4 Submission of second loan request**

The technical documentation for the request for the second part of the CHF 150,000,000 loan (CHF 138,000,000) was submitted on 9 December 2019 to the Swiss authorities.

Status of authorization process:

* 22 April 2020 – approval of CHF 95.6 million by the Federal Council.
* 1 July 2020 – press release from the Council of State for cantonal financial support for their contribution of the remaining CHF 42,400,000 for the financing of the demolition and reconstruction project of the ITU headquarters. Consideration of the draft law by the Grand Council, and its adoption, is expected to take place by the end of the year.
* August 2020 – unanimous approval received form the Financial Commission to support the loan request.
* 21 September 2020 – The first Chamber approved during the autumn;
* November-December 2020 – The second Chamber debates during the winter session.

Funds are expected to be potentially available from early 2021. In the meantime, funds from the first part of the loan remain available from the Host Country until June 2021.

**3.5 Risk Register**

A comprehensive Risk Register has been developed for the Additional Council session held in September 2019 regularly assessing the programme to identify the potential impact of future programme execution.

An in-depth analysis of the Risk Register was made by the MSAG at its last meeting. The objective of the Risk Register review being to advise the secretariat of any missing risks perceived by the members and to seek clarification of the risks that are included.

It was noted that the Risk Register is independent of the Risk Register Fund, which was set and approved by Council Decision 619. Although cost estimations vary over the course of the project, the percentage of uncertainty linked to the project design had been defined and approved by the Council in agreeing upon Council Decision 619 and is in line with benchmarks from similar construction projects.

As of 31 December 2019, the Risk Register Funds amounts to CHF 1’425’000.

As the project advances and cost details become more precise, the risk of error is reduced, and the associated cost goes automatically down. The objective of maintaining the register is, therefore, not to revise the budget every time; rather, it is a mechanism to check whether the estimated amount is enough if the most probable risks would occur.

As the project progresses, some risks are deleted from the table (e.g. last year’s Council approval of the Project, which was endorsed at the additional session in September). Similarly, new risks can be included, like the Covid-19 pandemic and its implications. An extract including the most important risks and their estimated costs is available in [Annex A](#AnnexA).

Figure: 10 most relevant risks vs. risk register fund



Note: the probability that all the risks presented will occur at the same time is unrealistic.

The updated complete Risk Register is available [here](https://www.itu.int/en/council/2020/Documents/007/007R1e-Complete-updated-Risk-Register.pdf).

**3.6 Schedule of expenses or cost tracker**

Since the project started, task progress - the amount of work done on tasks or the percentage of the tasks that are completed – is tracked and updated.

A cost tracker has been established combining the actual costs of completed work with the estimated costs for remaining work - project scheduled vs projected costs. More importantly, it calculates the difference between the scheduled and baseline costs. This difference, or cost variance, identifies whether the Project is on budget.

The schedule of expenses determines the projected expenses that ITU will have to incur during the entire conception and execution period of the new building works and this according to the CFC distribution as requested by the Host Country. The amounts appearing in the table are partly effective amounts (2017 to present), but for the majority the prices indicated are amounts estimated on the basis of the provisional planning of studies and works transmitted by the designers and within the framework of the budget approved at the additional session of the Council held in Geneva on 27 September 2019.

The schedule of expenses is available [here](https://www.itu.int/en/council/2020/Documents/007/007R1e-Schedule-of-expenses.pdf).

**3.7 Preliminary Project Schedule**

Hill International, with substantive input from the Design consortium CDTK and in coordination with the Building Project Division team, is responsible to monitor, review and update the design and construction schedule.

The Preliminary Project Schedule is available [here](https://www.itu.int/en/council/2020/Documents/007/007R1e-Preliminary-Schedule.pdf).

**3.8 Financial impact on the value of the Tower when retaining the use of the Popov conference room**

A contract was issued to SPG Intercity, a real estate expert, to provide a financial/economic analysis for the option of retaining the use of the Popov room after the sale of the Tower.

The outcome of the initial study demonstrated that the financial impact on the value when retaining the use of the Popov room is relatively limited compared to the overall value of the building.

The study highlights however that investors could perceive the retaining of the Popov room as a negative factor since it would represent a limitation for the exploitation of the overall basement and would compromise any other operation other than conference rooms the future landlord might wish.

In consideration of a future sale of the site, a recommendation for a “*sale & lease-back*” alternative was made by the study as an interesting strategy to explore further.

In light of the above, the virtual consultation of councillors in June 2020 encouraged the secretariat to conduct further investigations on the different sale options of the Tower for the next MSAG meeting and report to the next physical meeting of the Council.

A second mandate with SPG Intercity was put in place during the summer to investigate the sale and lease-back option such as its attractiveness on the market further. A report to the secretariat containing the expert’s advice concerning the strategy to put the Tower on the market optimally will be finalized by the end of October.

Its outcome and results will be shared and discussed at the next MSAG meeting taking place on the 12 November 2020.

**3.9 Combination of Facilities Management Division and Building Project Division**

The recent combination of the Facilities Management Division (FMD) and the Building Project Division (BPD) has allowed savings to be used to fund the creation of a temporary position (for the duration of the project) of a Space Planning Officer. The recruitment and selection process took place during the summer. Status of recruitment to date:

* + June 2020: vacancy announcement
  + July – September 2020: candidates interview and selection
  + October 2020: appointment of selected candidate

Once recruited, he/she will engage with staff, take care of the temporary arrangements during the staff relocation, and establish the final space allocation in line with the workspace recommendations in the new building.

**4 Financial update**

**4.1 Confirmation of available budget**

Decision 619 was adopted at the additional session of the Council held in Geneva on 27 September 2019, approving the final direct Project cost of the Union’s New Headquarters Building of CHF 170,139,000, as described in C19-ADD/2, financed entirely by the available funding of:

* CHF 150,000,000 host country loan – as described under §3.7 of this report, the request for a CHF 150M loan has been submitted.
* CHF 5,000,000 new building fund.
* CHF 15,140,000 sponsorships and donations – breakdown of funds currently available and actually received from sponsorship and donations is as follows:

|  |  |  |
| --- | --- | --- |
| **Funding Type** | **Country** | **Received** |
| Sponsorship | Saudi Arabia (CHF 10,000,000) | 7,000,000.00 |
| Sponsorship | United Arab Emirates (CHF 5,000,000) | 3,000,000.00 |
| Donation | Czech Republic (USD 100.000) | 95,251.40 |
| Donation | Ghana (USD 40,000) | 39.920.16 |
| Other | Architectural Contest Inscription Fees (CHF) | 46,935.47 |
|  | **TOTAL in CHF** | **10,182,107.03** |

The Council decided at the additional session held in September 2019 to create an additional Risk Register fund (Decides 3 of Decision 619) to provide an additional financial cushion for the non-mitigated risks and to be financed by subsequent Council decisions beginning in 2020. CHF 1,425,000 is currently allocated to the Risk Register fund.

**4.2 Cash flow**

The cash flow (see [Annex B](#AnnexB)) and the monitoring of the cash flow performed by Hill Int. is one of the more critical activities of the Project. The cash flow gives a clear early indication when a project is starting to deviate from the planned progress. To avoid such a deviation, a tested report that graphically details the planned vs. actual, including reasonable fluctuations, is used in order that any issues are promptly identified, mitigation actions can be implemented.

Currently the Project activities are funded via the first Host Country CHF 12M loan. The availability of the funds until June 2021 is ensured to provide a continuing cash flow and allow for the time for the approval of the second loan of CHF 138M and signature of the loan contract with FIPOI.

**4.3 Expense to date**

The current expenses are exclusively generated by the fees of the Architects’ Consortium, CDTK and Project Management Support, Hill int. The expense to date is in line with the projected expenses that are reported on a quarterly basis to the Host Country and fundraising requests are processed every quarter to cover the ongoing Project expenditures.

**4.4 Foreseen vs. expended**

The graph presented in [Annex C](#AnnexC) represents the actual expenses (red sticks) compared to the planned expenses (blue sticks). This graph allows a monthly and measurable monitoring of the expenses to bring, if necessary, the corrective measures in a reactive manner. In addition, it also allows to monitor the amount linked to the Risk Register (black dashed line) as the project progresses. The contingency (green line) will change as and when we draw from the contingency.

**4.5 Indirect project costs**

In accordance with Council Decision 619 and as per the table presented at CWG-FHR in February 2020, CHF 935K will be allocated for indirect costs.

1. **Definition of Easement Instalments prior to the Permitting Request Submission**

Prior to the submission of the construction permit request, existing and new easement instalments must be identified and addressed. End of June 2020, the secretariat has appointed the Notary familiar with the history of the ITU buildings, as well as with ITU status, privileges, and immunities. Consultations with different landowners and/or beneficiaries are taking place to agree on the modalities prior to the establishment of the notarial acts. In the context of the permitting request the notary will certify the agreement and then proceed with the establishment of every single easement instalment at building completion.

1. **Development of file classification to move towards a paperless environment**

As ITU transitions to its new building, the need for flexible working and paperless procedures becomes urgent, and although ITU has been adopting electronic working methods for many years, many processes are not fully digital as has been highlighted in the current crisis. ITU staff, members, and other stakeholders need to be able to access and use information online from multiple sources, in real-time and anytime (24/7), and there is a growing demand for more collaborative tools. [Document C20/53](https://www.itu.int/md/S20-CL-C-0053/en)Business Continuity - Information management and [Document C20/15](https://www.itu.int/md/S20-CL-C-0015/en) ORMS Status report provide further details.

Progress on the BR archiving project has been delayed by the lockdown (16 March – 30 June 2020) and continuing COVID-19 mitigation measures. The collections of files have been prioritized and work has started on the physical transfer of the satellite files to the Archives repository. A dedicated project team will start the indexing in October 2020. Work will continue through 2021.

1. **Business Continuity – Conferences during Varembé demolition and new building construction**

Since the dates of the next Council Sessions have been approved by the Member States at the Virtual Consultation session held in June 2020, C&P is now in a position to provide Sectors with proposals for rooms and dates at CICG during the work period from 2022 to 2026. Unfortunately, CICG is not able to respond to all our requests for dates but we are continuing our consultation work with them to find alternatives knowing that with regard to the CWGs, the dates cannot be confirmed after 2021, which implies that changes of dates will certainly be expected and which will have implications for the planning of meetings of the Sectors.

As a result of the limited possibility to travel because of Covid-19, virtual meetings and events were held from April to September 2020. The pandemic clearly highlighted the importance of remote participation possibilities and showed that virtual meetings are a feasible alternative to physical attendance for most ITU meetings. Examples of successfully conducted meetings are the Virtual Consultation of Councillors 2020, the RAG, the TDAG, the TSAG, Study Groups meetings, etc. all of which were held remotely due to Covid-19. This current situation is an opportunity for ITU to further build on its role as a front runner in remote participation technologies by supporting ITU Membership as well as other UN organizations to scale up their infrastructure and skills needed for remote participation. This would allow a homogenous meeting infrastructure across ITU’s network, strengthening the effectiveness of virtual meetings and ultimately minimizing the need for physical meetings.

Scaling up virtual meetings and remote participation at ITU’s conferences, assemblies and meetings also in post-Covid times would not only significantly reduce emissions from air travel and shipping of goods, but also reduce the need of conference and meeting facilities during the Varembé demolition and new building construction.

1. **Internal and external communication in the context of the new building construction**

ITU has developed a communication strategy with regard to internal and external communications about the future ITU Headquarters and related change management issues in the context of the Staff Working Conditions Strategy and Implementation Plan. The recruitment of a temporary P3 Officer for internal and external communications is imminent, the candidate has been selected and signed off by the Secretary-General. Meanwhile, internal communications have been strengthened through the set-up of an Internal Communications Working Group which has been meeting weekly since 20 May 2020 and which reports to the Operational Response Team (ORT). A digital newsletter for staff by staff, ITU Connections, has been launched in mid-August 2020 to promote more communications and prepare the ground for a decentralized social collaboration tool that should enhance listening to staff concerns, build trust and a culture of engagement.

**9 Impact of Covid-19**

As the entire ITU, the BPD team has continued teleworking since mid-March. All design activities including thematical workshops, technical coordination meetings with CDTK and their subcontractors, internal stakeholder consultations for the confirmation of functional, specifically, technical requirements have been pursued and have taken place remotely.

The critical milestone this year is the submission of the permitting request at the end of 2020. In this context, ITU has successfully consulted the local authorities remotely.

The risks have changed, and the Risk Register is being updated considering the actual crisis, re-evaluating the likelihood, impact and mitigation measures. Items have been added to the Risk Register to cover and anticipate for eventual changes that might occur in the design from a post Covid19 impact analysis on the new building programme requirements. Approximative costs have been anticipated but will need to be confirmed once the impact on the office design will be known.

A document including some research from workplace specialists about a post-Covid work environment was shared and presented at the MSAG meeting in July. To address the latter of aspects that must be treated in this context, the secretariat recommended consultants may need to be contracted. The provision of those services is covered under the indirect project cost budget approved by the councillors in Decision 619.

Consequently, a tender was issued beginning of September to appoint a specialized firm to develop a Staff Working Conditions Implementation Plan. Given the most recent impact of Covid-19 on work practices among which teleworking, and homeworking became necessary, the first deliverable will include initial outcomes and findings on ITU job profiles, work practices and recommendations to be considered for the implementation into the staff relocation proposal and new building office space allocation and/or design. Although not within the MSAG mandate, some members recommended that the standard applications for teleworking at ITU be considered in concert with those for virtual meetings of the membership.

The goal of the tender is to ensure the support and accompaniment of a professional company including all professional profiles and competencies required to support the HR and New Building project team during the entire project duration from Autumn 2020 to mid-2027.

Unfortunately, neither the Swiss nor the European Union Authorities have issued post-Covid19 design recommendations relative to the minimal spacing needed between workstations. Nevertheless, the design team verified if the current capacity of the new building could support the current staff should there be a need to separate workers by at least two meters. The secretariat confirms that this would not be possible unless the daily average number of on-site workers can be reduced through modification of the assigned desk policy and the implementation of the telework policy.

At this point in time, and until the outcome of the specialists’ workplace analysis, it remains difficult to anticipate the real impact of Covid-19. ITU reaffirms that it will do its best to minimize as much as possible its impact on the project duration such as its eventual financial impact on the project cost.

**Annex A.**

**Extract of Risk Register – 10 most relevant risks**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Risk Code** | **Risk Name** | **Cause** | **Mitigation** | **Probability (A)** | **Impact** | **Weighted Cost  CHF** | **Comment on costs** |
| **Business Continuity** | |  |  |  |  |  |  |
| 0066 | Availability of conference facilities in Geneva during the initial construction period (approx. duration - 18 months) | Information of ITU requirements not provided on time.  Donor to host ITU conferences not identified. | C&P work with ITU Sectors and the General Secretariat to provide complete calendar with ITU's conference room request as soon as possible. Seek for donor to host ITU conferences.  Opportunity: the extensive use of teleconferencing and virtual meetings could become an opportunity to relieve the request to host conferences during the Varembé demolition and new building construction. | 0,50 | 0,40 | 1.215.667 | Amount to cover expenses for the implementation of UN-MOSS requirements in a rented conference facility. |
| **COVID-19** | |  |  |  |  |  |  |
| 0034 | Additional cost for staff relocation during demolition and construction phase. | Insufficient space for one desk for each staff member maintaining social distancing. | Implement unassigned desk policy and teleworking. | 0,50 | 0,40 | 2.966.667 | Weighted average, amount foreseen for the move and (temporary) relocation of staff. |
| 0092 | Unknown impact of COVID-19 Pandemic on estimated schedule for the building project. | Unpredictable Pandemic | Establish and quantify mitigation measures.  Include best practices implemented in other organizations and private sector. | 0,70 | 0,40 | 1.572.583 | Implementation of mitigation measures according to the current COVID-19 protocol. |
| 0094 | Staff acceptance of the Office layout post COVID-19 | Awareness of diseases spread | Appropriate communication based on evidence and management decisions. | 0,50 | 0,40 | 0 | Unquantifiable |
| **Change Management & Communications** | | | | | | | |
| 0068 | Executives fail to support project. Not receiving leadership support and sponsorship. | The project team may lack the authority to achieve project objectives. In such cases, executive management support is fundamental to project success. | Involve leaders early in the process as they provide the authority and influence necessary for a successful workplace change and they play a critical role in time of change. | 0,30 | 0,70 | 0 | Unquantifiable |
| 0070 | Inadequate communication | Underestimation of the importance of appropriate communication. | Recruitment of communication expert dedicated to communicating appropriately. | 0,30 | 0,60 | 0 | Unquantifiable |
| **Programme** | |  |  |  |  |  |  |
| 0088 | Failure of waterproofing and/or possible soil pollution in Tower basement. | Old waterproofing system and/or growing trees roots. | Definition of level of impact.  Investigations of current conditions of waterproofing system and the existence of soil pollution | 0,50 | 0,40 | 502.500 | Weighted average based on replacement of waterproofing system. |
| 0090 | Possible request by ITU stakeholders to modify the project programme at design stage. | Re-evaluation of initial programme requirements. | Implement recommendations formulated by workplace strategy expert (Bid ongoing)  Liaise with internal stakeholders. | 0,50 | 0,40 | 603.299 | Weighted average based on ECPSS and Architect's fees. |

**Annex B**

**Cash Flow in CHF (September 2020)**



**First Host Country Loan (September 2020)**



**Annex C**

**Foreseen vs. expended**



**\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. Value engineering promotes the substitution of materials and methods with less expensive alternatives, without sacrificing functionality. [↑](#footnote-ref-2)
2. MSAG statement available in Document [C20/48 (Rev.1)](https://www.itu.int/md/S20-CL-C-0048/en) [↑](#footnote-ref-3)