



# General Assembly

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Agenda item 141

### Proposed programme budget for 2021

## Progress report on the implementation of a flexible workplace at United Nations Headquarters

### Report of the Secretary-General

#### *Summary*

The present report is the fifth annual progress report on the implementation of flexible workplace strategies at United Nations Headquarters and is submitted pursuant to section IX of General Assembly resolution [74/263](#). The report provides an update on the status of the project since the fourth annual progress report ([A/74/345](#)) and includes responses to requests contained in the above-mentioned resolution.

The report shows that the implementation of the project has been significantly affected by delays resulting from the coronavirus disease (COVID-19) pandemic and the financial liquidity challenges faced by the Organization. While the General Assembly, in its resolution [74/263](#), had requested the Secretary-General to ensure the completion of the flexible workspace project in the third quarter of 2020, implementation of the project was put on hold from mid-March to mid-July 2020 owing to the COVID-19 outbreak. In addition, there were delays in the fourth quarter of 2019 due to budget liquidity constraints.

As at August 2020, 21 floors of the Secretariat Building had been reconfigured to a flexible workplace, accommodating a total of approximately 2,300 staff. The project has resulted in an additional capacity of 1,234 to date, which exceeds the original estimate of 1,200 for all planned floors.

For the remainder of 2020, the Secretariat expects to complete one more floor, which had been under construction since before the pandemic, bringing the total number of converted floors to 22 of the planned 27. Factoring the impact of COVID-19 and potential scope adjustments, including those aimed at accommodating possible post-COVID-19 working arrangements and the financial implications related to those, the conversion of the remaining floors is now expected to be completed by the end of 2021. The overall estimated project cost included in the fourth annual progress report remains unchanged.



The General Assembly is requested to take note of the report and the implementation of further phases of the project, exceptionally suspend financial regulation 5.2 and approve the rollover to 2021 of the unspent balance of funds as at the end of 2020, currently estimated at \$7,187,900, for commitment during 2021.

## I. Overview

1. The implementation of the flexible workplace project was endorsed by the General Assembly in December 2014, in its resolution [69/274 A](#). The implementation began in June 2015 with departmental engagement, programming and fitting out of the swing space. At present, 21 floors have been completed.

2. In its resolution [74/263 A](#) and previous resolutions, the General Assembly requested the Secretary-General to submit annual reports on the project's progress and schedule, projected cost to completion and financial status. The present report, submitted pursuant to section IX of General Assembly resolution [74/263 A](#), is the fifth such report. It provides an update on the progress of the implementation of flexible workplace strategies at United Nations Headquarters since the issuance of the fourth annual progress report ([A/74/345](#)), and details how that progress has been affected by the pandemic. The report also addresses the specific requests made by the General Assembly in resolution [74/263 A](#) and of the Advisory Committee on Administrative and Budgetary Questions in its report ([A/74/7/Add.18](#)).

3. In its resolution (sect. IX, para. 3), the General Assembly reaffirmed that flexible workplace strategies in the United Nations should be aimed at improving the overall productivity and efficiency of the Organization, as well as the staff workplace environment. In the same resolution, it requested the Secretary-General to continue with the implementation of flexible workplace strategies in New York in 2020, with the full utilization of maximum occupancy per floor, and ensure full compliance with its decisions and full cooperation with the implementation plan for the project, while meeting the needs of staff and ensuring their well-being and productivity.

4. Since the start of the project's implementation in 2015, a fully functional flexible workplace has been created in the basement of the General Assembly Building and on 21 floors in the Secretariat Building, providing a modern working environment to over 2,300 staff at United Nations Headquarters. The capacity gained from the project has facilitated the vacating and non-renewal of three commercial leases, resulting in a significant reduction in the overall real estate portfolio at Headquarters. In addition, during the pandemic, the enhanced productivity and efficiency resulting from the project was demonstrated as personnel based in flexible workspaces were able to seamlessly transition to full remote working arrangements.

5. As requested by the General Assembly in [74/263 A](#) in section IX, paragraph 7 of its resolution, and in line with paragraphs 12 and 13 of the report of the Advisory Committee, the present progress report includes detailed information with respect to the planning and costs of rental leases, including rental savings from all vacated rental buildings and spaces (see paras. 45 and 46).

6. Pursuant to section IX, paragraph 9, of the resolution, in which the Assembly stressed the need to ensure completion of the project on time and within the estimated cost, the present report provides updates on the status of the project (paras. 9–12), the impact of the pandemic (paras. 14–26) and the new completion schedule, assuming the same unit costs of goods and services as had been procured under the construction and systems furniture categories.

7. As requested by the General Assembly in section IX, paragraph 11, of its resolution and in line with paragraph 27 of the report of the Advisory Committee with regard to project cost monitoring, paragraph 37 of the present report includes detailed information and explanations regarding the changes in the cost of each completed floor, including a breakdown of cost increases due to change orders and decreases to reflect the actual expenditures with the rebate discount from the systems furniture vendor.

8. Pursuant to section IX, paragraph 5 of the resolution, in which the General Assembly reiterated its request that the Office of Human Resources of the Secretariat assess in detail the impact of the flexible workplace on productivity and provide reliable qualitative and quantitative benefit indicators as well as other factors for the improvement of overall productivity and staff well-being, the present report details the impact on productivity and its indicators, as well as the Administration's further efforts to approach an independent internal entity to undertake an evaluation of the flexible workplace project (see paras. 19, 26 and 27).

## **II. Project status**

9. As at August 2020, out of the 27 floors planned, flexible workplace has been implemented on 21 floors of the Secretariat Building. One floor is currently in the process of reconfiguration, with work on the remaining five floors proposed to be postponed to 2021 in view of the pandemic. A detailed account of the impact of the pandemic is provided in the section IV of the present report.

10. To date, the project has resulted in an additional capacity of 1,234 in the Secretariat Building, which has enabled the administration to reduce its lease portfolio over the period 2017–2020. In addition to the leases vacated in 2017 and 2018, as detailed in paragraph 4 of the fourth progress report, the Organization vacated one floor in the FF building in December 2019, representing further savings of \$1,135,800 per year. The Organization is planning to vacate another floor of the FF building by December 2020, which would reduce its rental obligations by an additional \$1,357,100 per year.

11. All relocations associated with the reform of the peace and security, management, and development pillars of the United Nations, made possible in part by the flexible workplace project and the additional capacity it created, were completed. Personnel affected by the reform of the management and peace and security pillars were fully moved in 2019. As announced in paragraph 5 of the fourth progress report, the Development Coordination Office was accommodated in the Secretariat Building utilizing some of the added capacity from the project. The Office moved to its final location on floor 25 on 26 March 2020, concluding the relocations associated with the development pillar.

12. Annex I to the present report shows the number of floors completed, including their designed capacity, number of posts assigned and actual occupancy, as well as the capacity of flexible workplace floors before and after implementation.

13. As has been the practice since the flexible workplace project at Headquarters began, in coordination with the Global Asset Management Policy Service of the Office of Programme Planning, Finance and Budget, the project team has been in close contact with offices away from Headquarters and regional commissions that are currently implementing or plan to implement flexible workplace strategies as part of new construction or major renovation projects. Those include: the United Nations Office at Geneva, the United Nations Office at Nairobi, the Economic and Social Commission for Asia and the Pacific and the Economic Commission for Latin America and the Caribbean. In particular, during the reporting period, the project team has provided advice on how the flexible workplace environment can be adapted without requiring major modifications to building infrastructure so as to respond to the ongoing pandemic. Detailed information regarding flexible workplace strategies for each of the ongoing construction projects is included in the respective annual progress reports of the Secretary-General to the General Assembly.

### III. Impact of the pandemic and responses

#### A. Overall impact

14. The implementation of a flexible workplace had made the Organization more flexible and resilient when the pandemic arrived. The more than 2,300 members of staff who now work in flexible office spaces have access to laptop computers, which made their transition to full-time working arrangements from home seamless. One of the features of the unassigned work environment is universal telephone access: staff members can log in to any desk phone, forward all calls from a desk phone to a cell phone and access voicemail from anywhere. Thus, many staff were able to set up home offices and work remotely without additional cost to the Organization.

15. In addition to having access to the required hardware, staff working in a flexible workplace environment were already accustomed to remote digital working methods and had become proficient in the use of cloud-based applications such as Microsoft OneDrive, SharePoint and Teams. That enabled many to start working from home right away, as they had ready remote access to their colleagues and to their digital files.

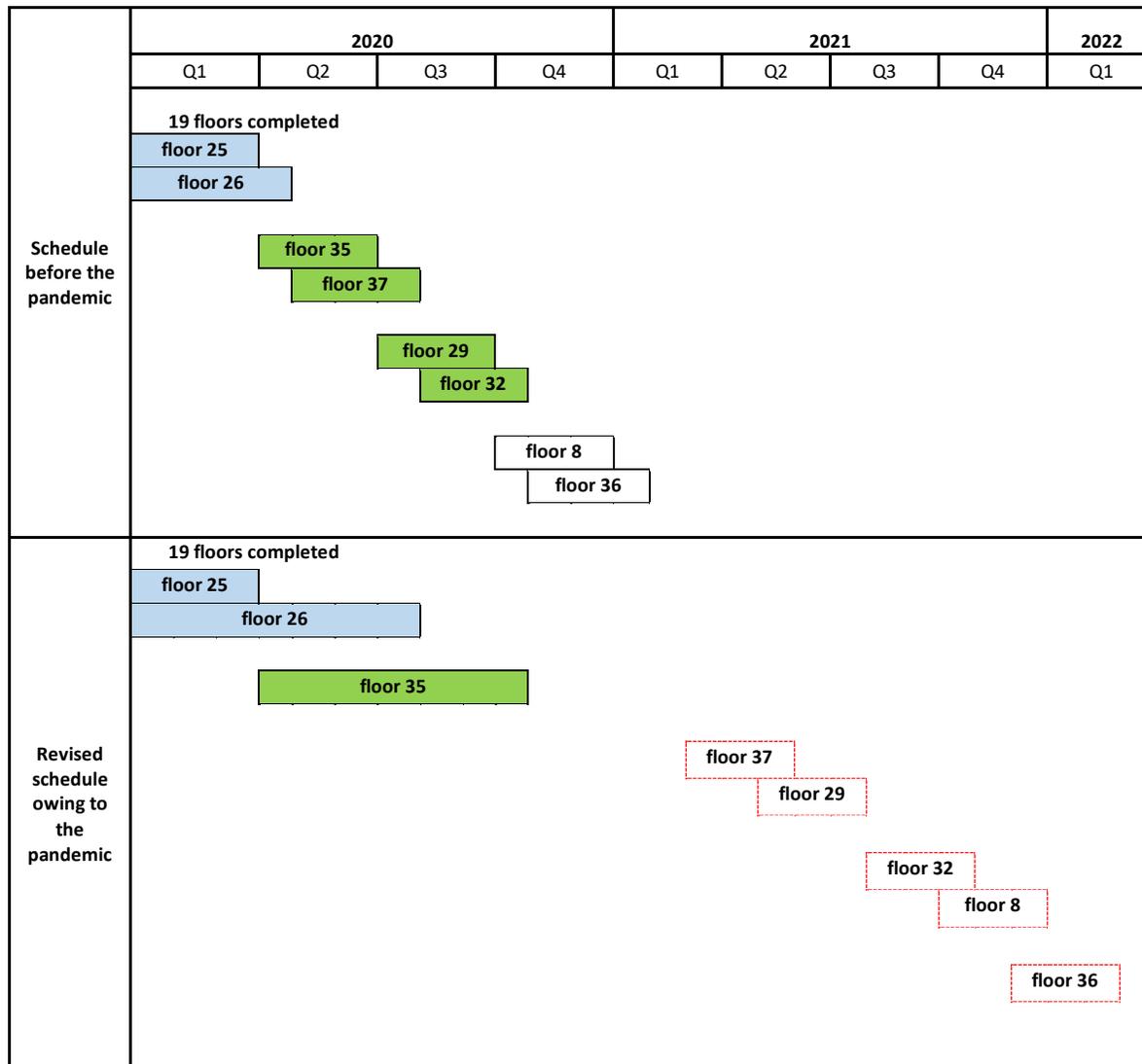
16. While the project had a positive effect on the resilience of the Organization, the pandemic adversely affected its schedule. After the stay-at-home order for New York State came into effect on 20 March 2020, all construction activities were placed on hold. Following the lead of the host country authorities, the construction work to complete floors 26 and 35, which were at an advanced stage of implementation, resumed on 6 July. The schedule for the remaining floors was reconsidered in the light of the ongoing pandemic and the financial situation of the Organization.

17. Under the timeline shown in figure III under paragraph 25 of the fourth progress report, all 27 floors were scheduled to be completed by the end of 2020. However, as a result of the Organization's liquidity crisis during the last quarter of 2019, the schedule started to slip when the construction of floor 35 could not be committed to and needed to be postponed to 2020.

18. The closure of Headquarters and suspension of construction activities severely affected the ability of the Administration to adjust the schedule and complete the project as intended. Taking into account the evolving crisis, the re-opening plan and the uncertainty about the workplace landscape after the pandemic, the Organization decided to complete started floors when construction activities could be safely resumed and to place on hold the implementation of the remaining floors until the situation was sufficiently clear to reassess the project scope if warranted.

19. The detailed effects on the overall schedule are shown in figure I.

Figure I  
**Comparison of the flexible workplace construction schedule for the Secretariat Building before and after the start of the pandemic**



Abbreviations: Q1, first quarter; Q2, second quarter; Q3, third quarter; Q4, fourth quarter.

**Legend:**

-  Completed
-  Under construction
-  Tentative sequence before the pandemic
-  Tentative sequence, dependent on the pandemic

**B. Impact on the post-occupancy survey**

20. As stated in the previous progress reports, while productivity itself remains difficult to measure, the Administration continues to consider it reasonable to use

workplace satisfaction as a proxy for productivity. Although not a direct measure, workplace satisfaction can have a direct relationship to productivity, as staff tend to develop positive attitudes and behaviours when their environment facilitates their ability to perform their work well. In that regard, a connection is drawn between overall staff satisfaction with the workspaces; the degree to which staff report that the workspaces support their various kinds of work, in other words, workspace effectiveness; and overall productivity. In this context, the workplace performance index, which has been utilized in surveys over the past few years, can provide valuable insight, in particular if changes are assessed over time (see para. 11 of the fourth progress report).

21. The survey for 2020, had been scheduled for April and was to cover floors 22, 23, 24 and 33 of the Secretariat Building. However, as the surveys typically involve on-site observations and focus groups that were difficult or impossible in the light of the pandemic, the Secretariat decided to defer the 2020 survey until the occupancy of the Secretariat Building would return to a level comparable with previous years.

22. As part of the Administration's commitment to a productive working environment in the flexible workplace, to date, the project team has addressed the recommendations resulting from the previous surveys. Some of the actions taken include:

(a) A summary of floor- and department-specific findings and recommendations was shared with managers to increase the engagement of management in resolving issues identified by staff on their floors;

(b) Training videos and supporting materials for managers were launched on iSeek and promoted within the departments in mid-2019;

(c) Managers were advised of staff feedback with regard to adherence of flexible work arrangement guidelines;

(d) With the support of the Office of Information and Communications Technology, flexible workplace users were informed about existing information technology solutions that support flexible working arrangements and made aware of the regular workshops offered at Headquarters to educate staff on the use of digital tools. There are ongoing outreach activities to staff to inform them of available tools;

(e) Service coordination among various service providers, including the locksmith services, and the facilities and the Office of Information and Communications Technology help desks, has been improved. Users have been advised about the process to request such services;

(f) The quality of the soundproofing in the focus booths has been improved and the number of options for locker sizes has been increased. Staff can now choose between three sizes for personal storage.

23. At present, no actions are pending from the previous survey recommendations.

### **C. Project scope and project management**

24. Given the extended timeline, to maintain the cost of the project against potential contract escalation and additional project management cost, the Secretariat will be re-evaluating the overall scope of the project by reviewing the anticipated benefits from its implementation. Options for cost reduction include:

(a) Proceeding with the original scope of the flexible workplace project on 27 floors in the Secretariat building and performing a value-engineering review on the remaining 5 floors. Under this option, the floors would still have functional open-

space offices. However, special elements that make the flexible workplace unique and an effective work environment facilitating enhanced staff productivity would be affected;

(b) Removing one of the five remaining floors from the scope of the flexible workplace project based on a review of the benefits of implementation. Although the overall benefits are the same for all departments, namely a modern working environment, increased collaboration, team consolidation and a more efficient use of space, the needs of each department occupying the remaining five floors are different and would be reviewed under this option.

25. Considering the benefits of implementation on each of the five floors and taking into account possible post-pandemic working arrangements, the Administration will, in close consultation with the departments occupying those floors, determine which approach to project completion delivers the highest value for the Organization.

#### **D. Responses and preparation for staff to return**

26. Based on the information available on COVID-19, the general infection patterns and public behaviour, the Administration has concluded that, from an occupational safety and health perspective, it is safe to use flexible workspaces, cubicles and enclosed offices. The conditions for safe operation are that physical distancing and reduced maximum space occupancy are maintained, that ventilation is increased by maximizing the inflow of outside air and upgrading filtration where possible, and that all staff adopt safe and hygienic behaviours. With a strict clean desk policy, the space in the flexible workplace environment is easier to clean and disinfect than cubicles and enclosed offices because a flexible workplace generally has less furniture and fewer surfaces. All measures related to a safe return to Headquarters have been applied consistently to flexible and traditional workplaces.

#### **IV. Further efforts to obtain an independent evaluation of the flexible workplace project**

27. To address the recommendation of the Advisory Committee contained in paragraph 21 of its report, the Administration made further efforts to approach an internal independent entity for an evaluation of the flexible workplace project. The Board of Auditors and the Inspection and Evaluation Division of the Office of Internal Oversight Services were approached, but both reiterated that they did not have the requisite capacity and that their programmes of work were already fully committed.

28. As the General Assembly did not approve the proposal to contract an external consultant to conduct the evaluation, the Administration suggests deferring the task to the end of the project.

#### **V. Flexible working arrangements and the flexible workplace**

29. Flexible working arrangements, along with a flexible workplace, help to provide staff with modern, adaptable working arrangements suited to individual needs. Increased flexibility and autonomy result in increased motivation and productivity of individual staff members, thus contributing to the fulfilment by the Organization of its mandates.

30. The complementary relationship between flexible working arrangements and a flexible workplace proved successful as full-time working-from-home arrangements

were implemented at Headquarters owing to the pandemic and the great majority of the workforce was authorized to carry out its duties remotely.

31. To allow managers and staff maximum flexibility in improving their work-life balance while maintaining their effective and efficient delivery of work, the use of flexible working arrangements is encouraged in all departments, offices and missions of the Secretariat. Flexible working arrangements can enhance staff engagement and improve information-sharing and collaboration among staff.

32. Flexible working arrangements were promulgated by the Secretary-General in his bulletin (ST/SGB/2019/3) following the staff-management consultation and clearance by the Office of Legal Affairs required in line with the procedures for the promulgation of administrative issuances (ST/SGB/2009/4).

33. As stated in its preamble, the purpose of ST/SGB/2019/3 is to implement staff rule 1.4 on hours of work while recognizing the importance of flexible working arrangements in balancing the demands on staff while at work with life outside the office and the challenge of finding new and better ways to manage people, time, space and workloads effectively.

34. In paragraph 1.1 of the bulletin, flexible working arrangements are defined as adjustments to the normal working hours and locations. When availing themselves of flexible working arrangements, members of staff remain subject to the same obligations and rules as they do otherwise, including in terms of their performance management obligations as outlined in the administrative instruction on the Performance Management and Development System (ST/AI/2010/5) and the number of their working hours per week, which may vary according to duty station.

## **VI. Project costs**

### **A. Project costs to date**

35. As explained in the second progress report (A/72/379, para. 35), tailored construction and systems furniture contracts were executed in May 2017 through competitive tenders. The unit cost of goods and services procured under the construction and systems furniture categories is commercially sensitive information. To keep it confidential, it will be provided as a supplement to the present report.

36. While both contracts provide for fixed unit prices for work to complete the project in 2020, the cost per floor varies depending on the design of the floor and reconfigurations required. As the low-rise floors have the smallest footprint compared with the mid-rise and high-rise floors, the reconfiguration cost for the low-rise floors is generally lower. The contractual agreements will expire in December 2020 and the terms of their extension to accommodate a completion of the project in 2021 will need to be negotiated with the vendors. The Administration will make every effort to limit potential contract cost escalations.

37. In the present report, the unit costs under the new contracts continue to be used in estimating the cost of subsequent phases of the project pending the negotiation of their extension. An analysis of the cost of the 21 completed floors and the 1 floor under construction shows that the average cost per floor was, respectively, \$841,315 and \$384,191 for construction and systems furniture under the new contracts, a reduction of close to \$300,000 per floor from the previous contracts (see table 1).

Table 1  
**Comparison between the general contract and the tailored contract of construction and systems furniture costs for Secretariat floors (August 2020)**  
 (United States dollars)

	<i>General contract</i>	<i>Tailored contract</i>	<i>Difference</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a)-(b)</i>
Construction	1 102 700	841 315	261 385
Systems furniture	421 900	384 191	37 709
<b>Total</b>	<b>1 524 600</b>	<b>1 225 506</b>	<b>299 094</b>

## B. Cost changes

38. As requested by the General Assembly in paragraph 11, Section IX of its resolution, and in line with paragraph 27 of the report of the Advisory Committee, the tables below show detailed information and explanations for the cost changes for each completed floor, including a breakdown of cost increases due to change orders and decreases to reflect the actual expenditures identified during the discount rebate exercise with the systems furniture vendor. The combined variance between the final and the initial cost is 1.4 per cent, which is well within the industry's typical contingency budget of 5 per cent to 10 per cent allocated for covering unexpected costs during the construction process, such as user request changes, design modification, risk, cost increases and others. In addition, the changes resulted in greater overall space efficiency. The project has already achieved greater capacity by implementing the project on 21 floors than was anticipated for 27 floors.

Table 2  
**Construction cost change**  
 (United States dollars)

<i>Floor<sup>a</sup></i>	<i>Initial proposal<sup>b</sup></i>	<i>Change order</i>	<i>Total</i>	<i>Note</i>
12	805 367	–	805 367	
20	764 179	21 454	785 633	Additional work for increased capacity from initial design
21	823 639	10 147	833 786	Additional sound proofing in focus booths resulting from the survey recommendations
14	797 312	12 483	809 795	Additional closet millwork and notice board
30	820 978	–	820 978	
31	930 954	11 247	942 201	Additional lighting requested by the user post move
17	722 271	122 286	844 557	Initial proposal did not include all user requirements
7	602 656	128 003	730 659	Initial proposal did not include all user requirements
11	776 783	588	777 371	Side door glazing
10	805 207	–	805 207	
9	792 010	–	792 010	
34	962 625	17 514	980 139	Relocation of furniture power outlets and installation of side door glass panel during off hours
22	816 582	3 513	820 095	Wooden door and hardware modifications
23	822 194	9 996	892 190	Convactor cover
33	882 903	21 321	904 224	Additional acoustic panels and graphic work

<i>Floor<sup>a</sup></i>	<i>Initial proposal<sup>b</sup></i>	<i>Change order</i>	<i>Total</i>	<i>Note</i>
24	887 416	24 207	911 623	Door frame upgrade and installation of sound masking and furniture outlets
25	853 172	–	853 172	
26	834 659	–	834 659	
<b>Total</b>	<b>13 895 540</b>	<b>382 759</b>	<b>14 338 299</b>	

<sup>a</sup> Floors completed under the tailored contracts, in chronological order.

<sup>b</sup> The initial proposal is the contractual base price as revised after a detailed engagement with users. The generic floor plan is revised to fit special department and office work needs.

**Table 3**  
**System furniture**  
(United States dollars)

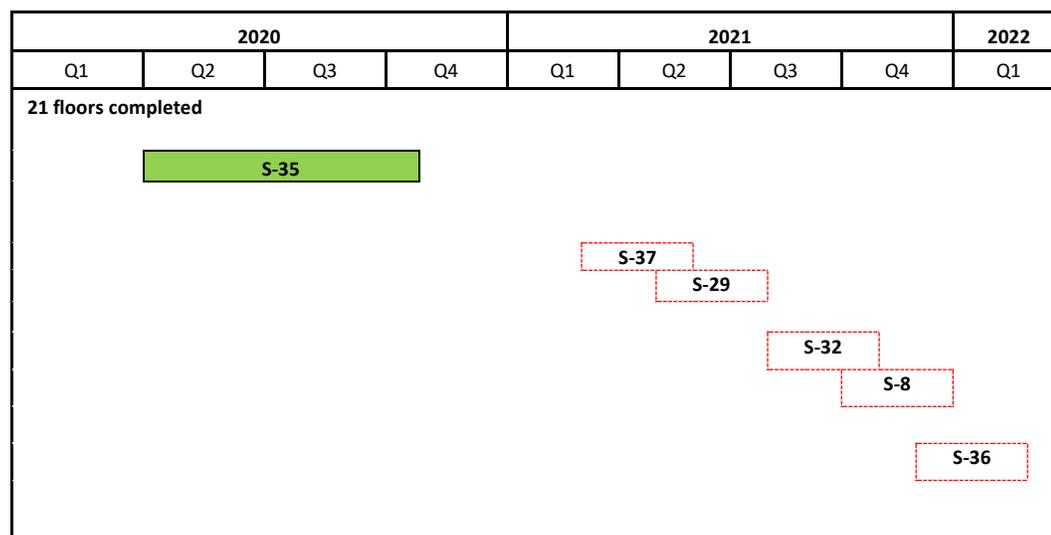
<i>Floor<sup>a</sup></i>	<i>Initial proposal</i>	<i>Change order</i>	<i>Total</i>	<i>Note</i>
12	306 115	–	306 115	
20	340 362	22 339	362 701	Additional desks requested by the user after the move
21	436 688	–	436 688	
14	425 782	(56 856)	368 927	Overcharges found during record reconciliations for discount rebate and unit cost review
30	391 546	13 153	404 700	Additional desks requested by the user after the move
31	435 208	–	435 208	
17	364 976	44 855	409 831	An additional order for floor 17 was issued under the purchase order for floor 7 to facilitate scheduling. The cost is now being assigned to the correct floors.
7	440 155	(43 966)	396 189	Reversed charges for floor 17 in line with above comment
11	384 715	2 429	387 144	Additional storage
10	387 703	9 283	396 986	Additional storage
9	370 582	–	370 582	
34	402 513	–	402 513	
22	425 863	(78 111)	347 752	Rebate discount application
23	317 973	–	317 973	
33	442 548	–	442 548	
24	373 141	–	373 141	
25	385 100	–	385 100	
26	385 201	–	385 201	
<b>Total</b>	<b>7 004 166</b>	<b>(86 873)</b>	<b>6 929 298</b>	

<sup>a</sup> Floors completed under the tailored contracts.

## VII. Project plan for 2020 and 2021

39. With 21 floors completed and one floor undergoing reconfiguration, the project plan has been updated to reflect the current status (see fig. II).

Figure II  
Updated project plan for the six remaining floors



Abbreviations: Q1, first quarter; Q2, second quarter; Q3, third quarter; Q4, fourth quarter.

Legend:

- Under construction
- Tentative sequence, dependent on the pandemic

40. As shown in annex 1 to the present report, to date, the actual capacity gain achieved in the Secretariat is 1,234, which already exceeds the original estimate of 1,220 for all 27 floors. The total potential capacity increase from the remaining six floors is in the range of 160 to 200. It is noted that the actual additional capacity created on each floor is dependent on the results of the detailed programming and planning process that takes place with the Departments and Offices concerned, during which each floor is designed to meet their particular requirements.

## VIII. Project cost and resource requirements compared with previous years

### A. Estimated cost of the project

41. The approved amount for implementation of the project in 2019 was \$13,049,200, of which \$11,301,900 had been used as at 31 December 2019. Procurement for the remaining \$1,747,300 for project implementation on floor 35, committed at the end of 2019, was delayed until the first quarter of 2020 owing to the liquidity constraints during the last quarter of 2019.

42. The approved amount for implementation in 2020 was \$7,931,700, including \$6,795,900 appropriated for the flexible workplace project and \$1,135,800 allocated from the appropriation for rent under section 29B of the programme budget pursuant

to General Assembly resolution 74/263 A. In the light of the schedule as adjusted to the pandemic, the estimated expenditure for 2020 is \$743,800, leaving a projected \$7,187,900 unspent at the end of 2020.

43. From the start of the project to 31 August 2020, expenditure in the amount of \$47,372,400 has been incurred. Of that amount, \$47,049,700 was incurred during the period 2015–2019. The estimated cost to complete the project schedule in 2020 and 2021 is \$7,931,700, which brings the total projected cost to \$54,981,400, unchanged from previous estimates. The Secretariat will work closely with the contractors on scope review, scheduling and logistical coordination to avoid any cost increase.

44. A detailed year-by-year breakdown of the expenditures and estimated project cost is provided in table 4.

**Table 4**  
**Actual and projected project costs, by activity**

(United States dollars)

<i>Activity</i>	<i>2015<sup>a</sup></i>	<i>2016<sup>a</sup></i>	<i>2017<sup>a</sup></i>	<i>2018<sup>a</sup></i>	<i>2019<sup>a</sup></i>	<i>2020<sup>b</sup></i>	<i>2021<sup>b</sup></i>	<i>Total</i>
Planning and design services	328 600	966 400	233 200	222 000	233 200	19 400	97 200	2 100 000
Secretariat Building reconfiguration/renovation	1 559 800	4 561 000	9 766 800	11 596 800	12 260 300	240 900	6 698 900	46 684 500
Swing space	3 104 200	–	–	86 900	86 900	–	–	3 278 000
Additional moves	26 300	–	–	–	–	–	–	26 300
<b>Subtotal</b>	<b>5 018 900</b>	<b>5 527 400</b>	<b>10 000 000</b>	<b>11 905 700</b>	<b>12 580 400</b>	<b>260 300</b>	<b>6 796 100</b>	<b>52 088 800</b>
Project supervision and management	202 000	430 000	470 200	446 300	468 800	483 500	391 800	2 892 600
<b>Total</b>	<b>5 220 900</b>	<b>5 957 400</b>	<b>10 470 200</b>	<b>12 352 000</b>	<b>13 049 200</b>	<b>743 800</b>	<b>7 187 900</b>	<b>54 981 400</b>

<sup>a</sup> The 2015–2019 figures reflect actual expenditure.

<sup>b</sup> The 2020 and 2021 figures are a combination of actual expenditures (for August 2020) and projected costs until the end of the project.

45. The estimated costs in the amount of \$7,931,700 for the project activities remaining for 2020 and 2021 comprise planning and design services (\$116,600), Secretariat Building reconfiguration (\$6,939,800) and project management (\$875,300), as detailed below.

*Contractual project planning (\$116,600)*

46. The remaining estimated costs are based on contracted rates for the project planning and change management services, involving in-depth engagement with the affected departments in each project phase to undertake the work-needs analyses that will inform the design of each floor, and the drafting of communications and presentation materials for outreach to departments and staff. The cost remains unchanged from the original estimate, as it is based on the number of floors.

*Secretariat Building reconfiguration and implementation costs (\$6,939,800)*

47. The estimated costs to complete the Secretariat building reconfiguration are based on the unit prices as contained in the 2017 contracts, taking into account

possible scope adjustments to remain within the total projected cost of \$54,981,400. While the Administration will seek to maintain the same unit cost until the end of the project, the negotiations to extend the contractual agreements expiring in December 2020 may result in escalation costs.

*Project management (\$875,300)*

48. The current flexible workplace project management team, as endorsed by the General Assembly in its resolution 69/274 A, consists of one Project Manager (P-5), one Design and Construction Manager (P-4) and one Administrative Assistant (General Service (Other level)) funded from general temporary resources. To reduce the cost of project management as the schedule is extended into 2021, it is proposed to re-assign the P-4 post to other functions within the Facilities and Commercial Activities Service, utilizing expected vacancies. The Design and Construction Manager will continue to support the project inasmuch as feasible. The continuation of the Project Manager and Administrative Assistant posts is essential to supervise the project until its completion and oversee the project close-out. The additional resource requirements for 2021 will be met by reducing the construction cost through scope review and value engineering.

49. For the implementation of a flexible workplace at Headquarters it is proposed that the General Assembly exceptionally suspend financial regulation 5.2, under which appropriations are required to be available for commitment during the budget period to which they relate, and approve the rollover to 2021 of the unspent balance of funds as at the end of 2020, currently estimated at \$7,187,900, for commitment during 2021.

## **B. Project costs compared with rental savings**

50. Table 5 shows the comparison between the estimated total project cost of \$54,981,400 and the rental cost that would have been incurred, had the flexible workplace project not been implemented. The rental cost is inclusive of operating expenses, such as utilities and maintenance, charged by landlords as part of the rent in line with the lease contracts. The table shows that the Organization will recover the project cost by the third quarter of 2021, with an annual recurrent cost avoided of \$18.8 million, including for the additional floor in the FF Building that is planned to be vacated by the end of 2020. Details on rental savings are provided in annex II to the present report.

51. The reduction in rental obligations, including those pertaining to the FF Building, has been taken into account in the proposed resource requirements for rent under the 2021 regular budget. The Organization currently rents space in the DC-1, DC-2, Albano, FF and Falchi buildings, resulting in total contractual obligations in 2021 of close to \$48.8 million,<sup>1</sup> funded from the regular budget and the support account, and from extrabudgetary contributions. The rental obligations for the entire office space portfolio at Headquarters amounted to \$55.2 million in 2015, 12 per cent above current levels. It is worth noting that as the amount of space leased was being reduced over the past several years, the rental cost per square foot under the remaining leases were increasing owing to annual contractual escalation in base rent and periodic rises in operating expenses charged by landlords. As an example, the cost per square foot of currently leased buildings increased by close to 25 per cent since 2015. Thus, by vacating leased office space and improving space management, through, among other things, the flexible workplace project, the Organization has

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<sup>1</sup> These figures do not include the office space in the DC-1 Building, which is managed and paid for by the United Nations Development Programme under a shared lease agreement.

been able to reduce its overall rental obligations despite the significant escalation costs built into its lease contracts. The consolidation of staff in the Secretariat Building has not significantly affected the requirements for utility services contracted directly by the Organization to operate the premises. The consumption of utilities, such as electricity and steam for lighting, heating and cooling, remains fairly constant irrespective of the higher occupancy and is more dependent on the weather. The exception is water, for which the consumption is increasing with the larger number of occupants.

52. By the end of 2020, the Organization will have reduced the capacity of its leased office space by 1,273 and increased the capacity of the Secretariat Building by 1,291. The Secretariat will continue to monitor space utilization and evaluate how the overall real estate portfolio can be adjusted based on the changing needs of the Organization, keeping in mind that the next opportunity for lease reduction without penalties is March 2023 when the current leases for the DC-1 and DC-2 buildings expire.

Table 5  
**Payback<sup>2</sup>**

(United States dollars)

<i>Period</i>	<i>Project cost</i>	<i>Rental cost that would have been incurred, had a flexible workplace not been implemented</i>	<i>Cost/net savings (period)</i>	<i>Cost/net savings (cumulative)</i>
2015	5 220 900	–	(5 220 900)	(5 220 900)
2016–2017	16 427 600	1 613 700	(14 813 900)	(20 034 800)
2018–2019	25 401 200	23 655 700	(1 745 500)	(21 780 300)
2020	743 800	17 411 650	16 667 850	(5 112 450)
2021	7 187 900	18 768 750	11 580 850	6 468 400
<b>Total</b>	<b>54 981 400</b>	<b>61 449 800</b>	<b>6 468 400</b>	

## IX. Next steps

53. Subject to approval by the General Assembly, the Secretariat would:

(a) Continue to implement further phases of the flexible workplace project as soon as the situation regarding COVID-19 allows and as indicated in the schedule shown in section VIII above and in accordance with the project cost plan contained in section IX above;

(b) Continue advocacy and engagement with Headquarters departments and staff to promote leadership and ensure that the project benefits and positive outcomes are achieved;

(c) Continue to incorporate lessons learned from implemented phases into subsequent project phases;

(d) Continue to advise project owners across the Secretariat to ensure that flexible workplace strategies are an integral part of the planning and design phases of ongoing global capital projects, that targets and efficiencies to be expected from the implementation of a flexible workplace are established and lessons learned and best practices are shared with offices away from Headquarters and regional commissions.

<sup>2</sup> The cost avoidance in 2022 and beyond will be \$18.7 million based on the cost of the leases at their respective times of expiration.

## **X. Actions requested of the General Assembly**

54. The General Assembly is requested:

(a) To take note of the present report and the revised scope of implementation and timeline of further phases of the project as indicated in the schedule shown in section VIII and in accordance with the project cost plan in section IX above;

(b) To exceptionally suspend financial regulation 5.2 and approve the rollover to 2021 of the unspent balance of funds as at the end of 2020, currently estimated at \$7,187,900, for commitment during 2021, including for the continuation of two temporary positions (1 P-5 and 1 General Service (Other level)) for the project team;

(c) To request the Secretary-General to submit the next report to the General Assembly at the main part of its seventy-sixth session.

## Annex I

### Floors completed to date, their designed capacity, posts assigned, staff capacity and actual occupancy before and after the implementation of a flexible workplace

Floor	Occupants	Completion date	Before implementation		After implementation			Actual occupancy as at 30 August 2019	Design capacity gain
			Designed capacity	Posts assigned	Designed capacity	Posts assigned	Staff capacity		
7	Department of Safety and Security, United Nations Operations and Crisis Centre, Department of Peace Operations and Department of Global Communications	July 2018	72	72	148	133	113	108	76
9	Department of Global Communications	September 2018	77	77	151	131	122	103	74
10	Department of Global Communications	August 2018	85	85	148	136	120	108	63
11	Department of Global Communications	July 2018	89	89	154	133	124	119	65
12	Department for General Assembly and Conference Management	July 2017	67	67	135	110	109	199	68
13	Department of Operational Support and Office of Information and Communications Technology	June 2016	74	74	130	126	107	107	56
14	Department of Operational Support	February 2018	88	88	144	150	115	114	56
17	Department of Operational Support	May 2018	90	90	143	144	115	116	53
18	Department of Management Strategy, Policy and Compliance	June 2016	87	87	148	140	119	123	61
19	Department of Management Strategy, Policy and Compliance	June 2016	89	89	138	135	112	97	49
20	Department of Operational Support and Department of Management Strategy, Policy and Compliance	October 2017	79	79	119	139	100	109	40
21	Department of Management Strategy, Policy and Compliance	October 2017	89	89	139	158	113	117	50
22	Department of Peace Operations and Department of Political and Peacebuilding Affairs	November 2019	90	90	155	132	125	107	65
23	Department of Peace Operation and Department of Political and Peacebuilding Affairs	November 2019	91	91	136	137	111	103	45
24	Department of Political and Peacebuilding Affairs	July 2019	92	92	128	121	105	113	36
25	Development Coordination Office and Department of Economic and Social Affairs	March 2020	86	86	153	156	124	140	67
26	Department of Economic and Social Affairs	July 2020	91	91	154	142	125	99	63
30	Department for General Assembly and Conference Management	March 2018	82	82	140	141	115	105	58

<i>Floor</i>	<i>Occupants</i>	<i>Completion date</i>	<i>Before implementation</i>		<i>After implementation</i>			<i>Actual occupancy as at 30 August 2019</i>	<i>Design capacity gain</i>
			<i>Designed capacity</i>	<i>Posts assigned</i>	<i>Designed capacity</i>	<i>Posts assigned</i>	<i>Staff capacity</i>		
31	Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict, Office of the Special Adviser to the Secretary-General on the Prevention of Genocide, Office of the United Nations High Commissioner for Human Rights	April 2018	92	92	146	84	119	106	54
33	Office for the Coordination of Humanitarian Affairs	April 2019	85	85	165	152	132	140	80
34	Department of Political and Peacebuilding Affairs	August 2019	89	89	144	118	117	102	55
<b>Total (21 floors)</b>			<b>1 784</b>	<b>1 784</b>	<b>3 018</b>	<b>2 818</b>	<b>24 42</b>	<b>2 435</b>	<b>1 234</b>

## Annex II

## Detailed rental savings

(United States dollars)

Year	Month	Buildings/leases					Total
		Daily News	United Nations Federal Credit Union	Innovation	FF 5th floor	FF 4th floor	
2017	May	201 713					
	June	201 713					
	July	201 713					
	August	201 713					
	September	201 713					
	October	201 713					
	November	201 713					
	December	201 713					
<b>Total savings, 2017</b>		<b>1 613 704</b>	–	–	–	–	<b>1 613 704</b>
2018	January	201 713					
	February	201 713					
	March	201 713					
	April	201 713					
	May	201 713	299 058				
	June	201 713	299 058				
	July	201 713	299 058				
	August	201 713	299 058				
	September	201 713	299 058				
	October	201 713	299 058	855 558			
	November	201 713	299 058	855 558			
	December	201 713	299 058	855 558			
<b>Total savings, 2018</b>		<b>2 420 556</b>	<b>2 392 464</b>	<b>2 566 674</b>	–	–	<b>7 379 694</b>
2019	January	201 713	299 058	855 558			
	February	201 713	299 058	855 558			
	March	201 713	299 058	855 558			
	April	201 713	299 058	855 558			
	May	201 713	299 058	855 558			
	June	201 713	299 058	855 558			
	July	201 713	299 058	855 558			
	August	201 713	299 058	855 558			
	September	201 713	299 058	855 558			
	October	201 713	299 058	855 558			
	November	201 713	299 058	855 558			
	December	201 713	299 058	855 558			
<b>Total savings, 2019</b>		<b>2 420 556</b>	<b>3 588 696</b>	<b>10 266 696</b>	–	–	<b>16 275 948</b>

Year	Month	Buildings/leases					Total	
		Daily News	United Nations		Innovation	FF 5th floor		FF 4th floor
			Federal Credit Union					
2020	January	201 713	299 058	855 558	94 642			
	February	201 713	299 058	855 558	94 642			
	March	201 713	299 058	855 558	94 642			
	April	201 713	299 058	855 558	94 642			
	May	201 713	299 058	855 558	94 642			
	June	201 713	299 058	855 558	94 642			
	July	201 713	299 058	855 558	94 642			
	August	201 713	299 058	855 558	94 642			
	September	201 713	299 058	855 558	94 642			
	October	201 713	299 058	855 558	94 642			
	November	201 713	299 058	855 558	94 642			
	December	201 713	299 058	855 558	94 642			
<b>Total savings, 2020</b>		<b>2 420 556</b>	<b>3 588 696</b>	<b>10 266 696</b>	<b>1 135 704</b>		<b>- 17 411 652</b>	
2021	January	201 713	299 058	855 558	94 642	113 091		
	February	201 713	299 058	855 558	94 642	113 091		
	March	201 713	299 058	855 558	94 642	113 091		
	April	201 713	299 058	855 558	94 642	113 091		
	May	201 713	299 058	855 558	94 642	113 091		
	June	201 713	299 058	855 558	94 642	113 091		
	July	201 713	299 058	855 558	94 642	113 091		
	August	201 713	299 058	855 558	94 642	113 091		
	September	201 713	299 058	855 558	94 642	113 091		
	October	201 713	299 058	855 558	94 642	113 091		
	November	201 713	299 058	855 558	94 642	113 091		
	December	201 713	299 058	855 558	94 642	113 091		
<b>Total savings, 2021<sup>a</sup></b>		<b>2 420 556</b>	<b>3 588 696</b>	<b>10 266 696</b>	<b>1 135 704</b>	<b>1 357 092</b>	<b>18 768 744</b>	

<sup>a</sup> The cost avoidance in 2022 and beyond will be \$18.7 million, based on the cost of the leases at their respective times of expiration.