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Eighteenth annual progress report on the implementation of the capital master plan

Report of the Secretary-General

Summary

The eighteenth annual progress report on the implementation of the capital master plan is submitted pursuant to section II, paragraph 34, of General Assembly resolution [57/292](#). The report provides an update on the status of the project since the issuance of the seventeenth annual progress report ([A/74/302](#)). It also addresses issues raised by the Advisory Committee on Administrative and Budgetary Questions in its most recent report on the capital master plan ([A/74/573](#)).

The Organization has been engaged in two arbitration cases with the construction manager for the capital master plan. A final decision was issued by the arbitral tribunal in one of the cases, in which all substantive claims against the United Nations were rejected and the contractor was requested to reimburse approximately \$550,000 of the costs incurred by the United Nations in defending the claims. The arbitration process of the other case also progressed with the conclusion of the first of three phases. According to the arbitral decision, the United Nations was required to pay the contractor approximately \$3.25 million of the \$17 million originally at issue, to be funded from the liquidation of commitments held pending the resolution of all legal proceedings. The General Assembly is requested to take note of the present report.

* [A/75/150](#).



I. Background

1. The capital master plan was the largest and most comprehensive construction and renovation project undertaken by the United Nations. The project met its objectives of honouring and preserving the original historic design of the Headquarters complex, while at the same time modernizing the facilities to meet prevailing accessibility, safety, security and technological standards.
2. The General Assembly requested the Secretary-General to submit annual reports on the progress, schedule, projected cost to completion and financial status of the capital master plan. The present report is the eighteenth such report to the Assembly.

II. Remaining activities

3. As reported in the seventeenth annual progress report, all construction work and related administrative close-out activities have been completed, except for those related to two arbitration cases. As of July 2020, a final decision had been issued by the arbitral tribunal in one of the cases, rejecting all substantive claims against the United Nations. The arbitration process of the other case had also progressed with the conclusion of the first of three phases. In accordance with the decision of the tribunal, the United Nations was required to pay Skanska approximately \$3.25 million of the \$17 million originally at issue. Details are provided in section VI of the present report.

III. Implementation of the recommendations of the Board of Auditors

4. The Administration had 15 recommendations that remained outstanding as at 31 December 2018, of which 6 have been implemented and subsequently closed by the Board of Auditors. An update on the remaining 9 recommendations is contained in the annex to the present report. Closure was requested by the Administration for 7 of the 9 recommendations, 1 is pending the outcome of the outstanding litigation and 1 is under implementation.

IV. Benefits of the capital master plan: utility efficiencies

5. Previous progress reports provided comprehensive information on the benefits that the capital master plan had delivered, including details on reductions in energy consumption and monetary savings.
6. It was indicated in the thirteenth annual progress report that quantifiable benefits had been achieved through improved environmental performance, with reductions in energy and water consumption of 50 and 40 per cent, respectively ([A/70/343](#), para. 31). The Advisory Committee on Administrative and Budgetary Questions had, however, noted that the stated efficiencies were calculated from engineering models rather than actual data, and recommended that actual data be used to substantiate the improved performance (see [A/70/441](#), para. 17). It was explained that meaningful comparison of consumption before and after the capital master plan would be possible only after the decommissioning of the North Lawn Building (see [A/71/5 \(Vol. V\)](#), para. 73), which was completed in January 2016.
7. In order to provide comprehensive and conclusive information on efficiencies achieved by the project across all utilities, data from the Headquarters baseline environmental assessment conducted by the United Nations Environment Programme

were reviewed and compared with utility consumption information collected for the United Nations system greenhouse gas inventory annually. The objective of the assessment was to establish an accurate account of the environmental performance of the campus before the renovation, with a baseline year of 2007. Tables 1 to 3 provide a comparison of 2007 data with post-capital master plan data from 2016 and 2017. Changes in consumption beyond 2017 are no longer considered attributable to the capital master plan as they result from additional efficiency measures and changes in occupancy from the flexible workplace project.

Table 1
Comparison of energy consumption between 2007 (pre-capital master plan) and 2016 and 2017 (post-capital master plan)

(Units as invoiced)

<i>Energy</i>	<i>2007 baseline</i>	<i>2016</i>	<i>2017</i>	<i>Average 2016–2017</i>	<i>Change (percentage)</i>
Electricity (kWh)	44 858 160	38 279 200	34 810 133	36 544 667	(19)
Steam (Mlb)	455 443	81 004	114 603	97 804	(79)
Gas (therms/Ccf)	15 849	18 766	16 428	17 597	11

Table 2
Comparison of energy consumption between 2007 (pre-capital master plan) and 2016 and 2017 (post-capital master plan)

(Kbtu)

<i>Energy</i>	<i>2007 baseline</i>	<i>2016</i>	<i>2017</i>	<i>Average 2016–2017</i>	<i>Change (percentage)</i>
Electricity	153 056 042	130 608 630	118 772 174	124 690 402	(19)
Steam	543 798 942	96 718 776	136 835 982	116 777 379	(79)
Gas	1 584 900	1 876 600	1 642 800	1 759 700	11
Total	698 439 884	229 204 006	257 250 956	243 227 481	(65)

Note: Data from pre-capital master plan environmental assessment and annual greenhouse inventories. Variations from consumption figures provided in previous reports are due to adjustments for invoices for December 2016 and January 2017 and the rounding of conversion factors.

Table 3
Comparison of water consumption between 2007 (pre-capital master plan) and 2016 and 2017 (post-capital master plan)

(Hundreds of cubic feet)

<i>2007 baseline^a</i>	<i>2016</i>	<i>2017</i>	<i>Average 2016–2017</i>	<i>Change (percentage)</i>
222 384	42 815	62 417	52 616	(76)

^a Data from pre-capital master plan environmental assessment adjusted based on a review of 2007 invoices to ensure comparability. Variation is 2 per cent of average percentage change.

8. Compared with the 2007 baseline, the actual average reduction in energy consumption for 2016 and 2017 was 65 per cent. Previous annual progress reports showed reductions from 2006 ranging from 55 to 59 per cent. It should be noted that variations in weather are among the main drivers of changes in consumption, which makes year-to-year comparison difficult. However, despite those variations, actual

data consistently substantiate that the capital master plan project has achieved or exceeded its projected reduction in energy consumption of 50 per cent.

9. The actual average reduction in water consumption from 2007 compared with 2016 and 2017 was 76 per cent, far higher than the projected reduction of 40 per cent.

10. In conclusion, the capital master plan exceeded its objectives to achieve quantifiable benefits in utility consumption through improved environmental performance.

V. Financial status

11. The total approved funding for the capital master plan project amounts to \$2,150.4 million, comprising appropriations for the original project scope of \$1,876.7 million, donations of \$14.3 million, combined interest income and working capital reserve of \$159.4 million and funding of \$100.0 million for the enhanced security upgrades.

12. As reported previously, all approved funding in the amount of \$2,150.4 million has been committed in full. All contracts have been closed and all payments finalized, except for invoices related to the ongoing arbitration cases and the associated legal fees.

13. The estimated final cost of the project remains unchanged, at \$2,150.4 million. As at 30 June 2020, the cumulative expenditure incurred amounted to \$2,150.4 million, indicating that 100 per cent of the estimated cost to completion had been expended and committed. The latest status of the expenditure and remaining requirements is summarized in table 4.

Table 4

Capital master plan project expenditure and requirements until completion, as at 30 June 2020

(Thousands of United States dollars)

<i>Description</i>	<i>Expenditure</i>		<i>Total</i>
	<i>From project inception to June 2020</i>	<i>Remaining requirements From July to December 2020</i>	
Capital master plan project			
Design contractual services	168 828.5	–	168 828.5
Staff costs for the Office of the Capital Master Plan	33 806.0	–	33 806.0
Support staff costs	15 903.5	–	15 903.5
Operating and other costs	18 003.5	–	18 003.5
Programme management and other consultants	56 172.7	–	56 172.7
Construction and pre-construction	1 414 348.8	–	1 414 348.8
Swing space costs (including rent)	554 600.8	–	554 600.8
Subtotal	2 261 663.8	–	2 261 663.8
Prior-period adjustments	9 204.0	–	9 204.0
Adjusted project expenditure	2 270 867.8	–	2 270 867.8
Savings from cancellation of obligations	(227 156.3)	(2 962.8)	(230 119.1)
Legal expenses for the arbitration cases	6 688.5	(287.2)	6 401.3

<i>Description</i>	<i>Expenditure</i>		<i>Total</i>
	<i>From project inception to June 2020</i>	<i>Remaining requirements From July to December 2020</i>	
Liability from decisions on the arbitration cases		3 250.0	3 250.0
Subtotal	2 050 400.0	–	2 050 400.0
Enhanced security upgrade project	100 000.0	–	100 000.0
Total, capital master plan project expenditure	2 150 400.0	–	2 150 400.0

14. The accumulated legal expenses for the arbitration cases to date total \$6,688,500. Based on the estimate from the Office of Legal Affairs, an additional amount of \$261,800 is required from July to December 2020, to be offset by a net reimbursement of \$550,000 in legal fees associated with one of the cases, for a total estimated legal cost of \$6,401,300. In accordance with the recent decision of the arbitral tribunal with regard to phase one of the second arbitration case, the United Nations is required to pay approximately \$3.25 million to Skanska, to be funded from the liquidation of commitments held pending the resolution of all legal proceedings.

15. The final unused balance of the project can be determined only after the conclusion of the litigation processes and the settlement of all liabilities. At that time, the Secretary-General will report on the final balance and submit proposals for the approval of the General Assembly with respect to the return of any final residual balance to Member States.

16. The final consolidated requirement of the capital master plan is unchanged at \$2,305.1 million, or \$2,309.3 million if the portion funded by the support account for peacekeeping operations is taken into consideration. Details are provided in table 5.

Table 5
Consolidated expenditure as at 30 June 2020 and projected requirements until December 2020

(Millions of United States dollars)

<i>Description</i>	<i>From project inception to June 2020</i>	<i>From July to December 2020</i>	<i>Total</i>
Project costs			
Capital master plan project	2 050.4	–	2 050.4
Enhanced security upgrade	100.0	–	100.0
Subtotal	2 150.4	–	2 150.4
Non-project costs			
Associated costs	139.7	–	139.7
Secondary data centre	15.0	–	15.0
Subtotal	154.7	–	154.7
Consolidated total	2 305.1	–	2 305.1
Portion of secondary data centre funded from the support account for peacekeeping operations	4.2	–	4.2
Consolidated total, including portion funded from the support account for peacekeeping operations	2 309.3	–	2 309.3

17. Financial statements regarding the expenditure for the 2019 financial period were completed, consolidated and finalized in March 2020, following established financial reporting processes, in compliance with the Financial Regulations and Rules of the United Nations. The financial close-out of the capital master plan project will depend on the ongoing arbitration cases.

VI. Arbitration

18. The Organization has been engaged in two arbitration proceedings with Skanska, the construction manager for the capital master plan. Each of the proceedings arose from claims filed against Skanska by a Skanska subcontractor.

19. The first arbitration arose as a result of an arbitration brought against Skanska by its electrical subcontractor, in which the subcontractor claimed that it was owed tens of millions of dollars for the work that it performed under several contracts with Skanska as part of the capital master plan. Although Skanska had denied the subcontractor's claims in their entirety, Skanska had itself claimed that, were it found to owe additional sums to its subcontractor, the liability therefor should be passed on to the United Nations. The United Nations disputed Skanska's characterization of its rights under the relevant contracts, and the dispute is currently before an arbitral tribunal, as required under such contracts. The capital master plan project consisted of several subprojects. Skanska's electrical subcontractor, which is a party to the Skanska-United Nations arbitration, worked on some but not all of the subprojects. Each subproject had its own construction management agreement between the United Nations and Skanska. In an effort to facilitate the arbitration process, the tribunal decided to divide the proceeding into three separate, consecutive phases, with one phase for each of the three subprojects at issue in the arbitration: (a) the Secretariat subproject; (b) the Conference Building subproject; and (c) various other infrastructure subprojects (e.g. fire alarm and basement power distribution). The main hearing with respect to phase one of the first arbitration was held in June 2019. The tribunal issued a final decision in July 2020 for that phase, which concerned the Secretariat subproject. Of the approximately \$17 million originally at issue for phase one, together with the additional costs in excess of \$12 million claimed by Skanska and its subcontractor for this phase, the tribunal decided that the United Nations was required to pay Skanska approximately \$3.25 million. The Office of Legal Affairs is working with outside counsel to assess the overall financial obligation of the Organization that is likely to result from the remaining two phases, considering the reasoning of the tribunal for phase one. The required expenditure for attorneys' fees and arbitral expenses is difficult to estimate at this time, but is not expected to exceed \$550,000 for the period from 1 July to 31 December 2020.

20. The second arbitration arose as a result of an arbitration brought against Skanska by its mechanical systems subcontractor, in which the subcontractor claimed that it was owed in excess of \$4 million for work that it performed under contracts with Skanska as part of the capital master plan. Although Skanska had denied the subcontractor's claims, Skanska had itself claimed that, were it found to owe additional sums to its subcontractor, the liability therefor should be passed on to the United Nations. The United Nations disputed Skanska's characterization of its rights under the relevant contracts. Formal proceedings before the arbitral tribunal began in 2018. The main hearing was held in October 2019, and the tribunal issued its final decision in late April 2020. The tribunal rejected all of Skanska's substantive claims. In accordance with the arbitral award, Skanska is required to reimburse approximately \$550,000 of the costs incurred by the United Nations in defending the claims.

VII. Action to be taken by the General Assembly

21. **The General Assembly is requested to take note of the present report.**

Annex

Status of implementation of outstanding recommendations

No.	Report reference	Summary of recommendation	Status
1	A/68/5 (Vol. V), para. 77	The Board recommended that the Administration adopt a whole life- cycle asset investment strategy and assess costed options for the through-life maintenance of the Headquarters buildings.	The Administration continues to execute the strategic capital review, an updated report on which is to be submitted to the General Assembly. However, the Administration has already submitted three reports on the strategic capital review to the Assembly, which approved four capital construction projects emanating from it. That demonstrates the commitment of Member States to the strategic capital review. The Administration has requested that this recommendation be closed.
2	A/70/5 (Vol. V), para. 17 (c)	The Board recommended that the Administration accelerate closure of the remaining capital master plan contracts to increase certainty regarding final project costs and to release any potential savings.	The Administration notes that all work under the capital master plan has been completed, all contracts have been closed and payments finalized, except for invoices related to the ongoing arbitration cases and associated legal fees. The comments relating to recommendation No. 3 also apply to this recommendation, which is now considered redundant. The Administration has requested that this recommendation be closed, while recommendation No. 3 remain open until the arbitration cases are finalized.
3	A/70/5 (Vol. V), para. 17 (d)	The Board recommended that the Administration report the full amount of any savings arising from contract closure and introduce appropriate governance mechanisms to determine the use that can be made of such savings, including specific consideration of returning savings to Member States.	One of the arbitration cases is ongoing, as explained in section VI of the report. The final unused balance of the project can be determined only after the conclusion of the litigation processes and the settlement of all liabilities.
4	A/72/5 (Vol. V), para. 69	The Board recommended that the Administration take steps to strengthen the internal control for protection of assets, and for their proper recording and monitoring.	As part of the 2019 management reform efforts of the Secretary-General, the Global Asset Management Policy Service rolled out, to all Secretariat entities, a comprehensive asset management performance framework that addresses the Board's recommendation. The Administration has requested that this recommendation be closed.
5	A/73/5 (Vol. V), para. 15	The Board recommended that the Administration review the methodology	The Global Asset Management Policy Service has issued comprehensive

No.	Report reference	Summary of recommendation	Status
		followed for the preparation of estimates to establish norms for the common/general nature of expenses in order to ensure that the estimates for projects are realistic.	guidance, including on how to establish unit rates for various line items in the budgets, and standard cost templates for use by all Secretariat entities in developing their annual capital maintenance budgets. The Administration has requested that this recommendation be closed.
6	A/73/5 (Vol. V), para. 65	The Board recommended that the Administration explore the utility of the Energy Dashboard and Reporting Tool with regard to monitoring the energy consumption of floors and buildings so as to further reduce energy consumption wherever possible. The Board further recommends that the Administration report on reductions in consumption of water as well.	The Administration has explored the utility of the Energy Dashboard and Reporting Tool and has previously reported on its use in monitoring energy consumption at United Nations Headquarters. The Tool has proved to have some limitations and, as previously noted, will not be supported by the vendor in the future. The Administration considers that it has implemented the recommendation to explore the use of the Tool to support the reduction in energy consumption, which has now been overtaken by events. The eventual replacement of the Tool with an enhanced system will be a new project unrelated to the capital master plan. The Administration has requested that this recommendation be closed.
7	A/73/5 (Vol. V), para. 70	The Board recommended that the Administration analyse the responses to the survey on iSeek (regarding accessibility) and take remedial measures.	Work on accessibility projects in New York, now in the first phase of a three-year plan that is part of the programme of work of the Division of Administration, has been placed on hold owing to the coronavirus disease (COVID-19) pandemic that has occasioned the closure of the building. However, as the State of New York has recently lifted construction restrictions in New York City, projects planned for 2020 are now being scheduled to restart accordingly. It is unclear at this time whether the project can be completed by the end of 2022 as was initially planned. Scheduling will depend on funding availability and the evolution of the pandemic. The Administration notes that the implementation of the three-year plan took into account the responses to the survey on iSeek (regarding accessibility) and that the comments relating to recommendation No. 8 are also valid for this recommendation. In view of this, the

No.	Report reference	Summary of recommendation	Status
8	A/73/5 (Vol. V), para. 71	The Board recommended that the Administration examine the requirements of the 2010 ADA Standards for Accessible Design and take necessary steps on a progressive basis towards compliance with those standards to ensure accessibility to all individuals with disabilities.	Administration has requested this recommendation be closed while recommendation No. 8 remain open until the completion of the plan. Work on accessibility projects in New York, now in the first phase of a three-year plan that is part of the programme of work of the Division of Administration, has been placed on hold owing to the COVID-19 pandemic that has occasioned the closure of the building. However, as the State of New York has recently lifted construction restrictions in New York City, projects planned for 2020 are now being scheduled to restart accordingly. It is unclear at this time whether the project can be completed by the end of 2022 as was initially planned. Scheduling will depend on funding availability and the evolution of the pandemic.
9	A/73/5 (Vol. V), para. 84	The Board recommended that the Administration make adequate arrangements for funding the operational and maintenance costs of assets created as a result of the donation from the International Olympic Committee.	The Administration reiterates that it considers the recommendation implemented as funding arrangements have been made to maintain the assets over the medium term and through to the end of their useful lives, inclusive of 2025. Arrangements for the replacement, upgrade and maintenance of the equipment after 2025 will be a new project unrelated to the capital master plan and coordinated with the United Nations Staff Union and the United Nations Staff Recreation Council in the coming years. The Administration has reiterated its request that this recommendation be closed.