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REVISED DRAFT PROGRAMME OF WORK AND BUDGET 2015-16
STRATEGIC OBJECTIVE 6 -- PROVIDE EFFECTIVE AND EFFICIENT CORPORATE MANAGEMENT

MULTI-YEAR INVESTMENT PLAN

(Note by the Secretary-General)

The Strategic Management Framework and the PWB for Output Group, 6.3, Corporate Services, have been adjusted to reflect the restructuring of the Executive Directorate. Please see document C(2015)44.
The Multi-Year Investment Plan set out in this document replaces the original document issued on 12 December 2014.

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Complete document available on OLIS in its original format

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Introduction

1. This note sets out the Multi-Year Investment Plan (MYIP) for fixed asset replacement under the Capital Investment Budget and Reserve Fund (CIBRF) and covers the period 2015-18. The information complements the revised PWB submission reflecting the new structure of Output Group 6.3, Corporate Services.

2. The overall MYIP and CIBRF figures of the Output Group 6.3, Corporate Services remain unchanged. The only difference compared with the initial document C(2014)140/PARTI/SO6/ADD1 is that the Output Areas responsible for managing and financing the Asset Categories have changed.

3. All figures in this note are expressed in 2015-2018 values.

Background

4. The Council Resolution set out in document C(2011)144/FINAL created a CIBRF with two components: a Class 1 component for short- and medium-term operating assets, and a Class 2 component for longer-term assets with useful lives from 10 to 20 years. Initial funding of the Class 2 component of the CIBRF was achieved by transferring the balance of the Chardon Lagache Reserve and the Parking Reserve. Additional funding is to be provided out of the operating budget.

5. The Council Resolution sets out the elements of the CIBRF decision and in particular the requirements for the MYIP [see paragraphs 52-54 in Annex I of C(2011)144]. The MYIP extends over four years and is to be updated annually.

Assets Included in the Multi-Year Investment Plan (MYIP)

Asset Categories

6. The MYIP sets out investment priorities based on an assessment of likely needs over four years by major asset category.

7. For the purposes of the CIBRF, assets are classified into three Classes as follows:

- Class 1: Operating assets with useful lives of between 1 and 10 years;
- Class 2: Buildings infrastructure assets with useful lives of between 10 and 20 years;
- Class 3: Buildings infrastructure assets with useful lives of more than 20 years.

8. The MYIP reflects this classification, and allocates the following categories of assets to the different Classes as explained in the paragraphs below:

- Printers;
- Buildings;
- Conference Equipment;
- Security and Fire Safety End Use Equipment; and
- Information and Communication Technology Assets (ICT Assets).

9. An explanation of the content of each Asset Category and how it links to the different Asset Classes is provided below.

Printers

10. Following the restructuring of Output Group 6.3, Corporate Services, this asset category will be managed within the Output Area 6.3.4 Digital, Knowledge and Information Service.

11. This Category is comprised entirely of Class 1 assets.

12. Most printing is delivered centrally by the OECD print-shop, which provides colour and black/white on-demand printing services to Part I and the Part II programmes. Outputs include Committee documents, publications, brochures and circulars, and administrative material. The equipment is composed of three high speed black/white printers, two high speed 4-colour printers and various finishing equipment. The estimated normal life for this equipment is five years. The black/white equipment was presented in the 2014 MYIP and is currently being replaced. The replacement of colour printers and finishing equipment is included in 2015-2017 of the MYIP.

13. In addition, approximately 90 multi-function printers are installed across the Organisation, including in the Conference Centre. These have a normal life of 5 years. They were replaced in 2013 and the next scheduled replacement is included in the 2018 MYIP.

14. On-site high quality printing is essential to the smooth functioning of the Organisation. Failure to replace the equipment on time will risk reduced reliability and/or quality, higher variable costs and losing out on efficiency benefits from new technology. The asset replacement plan will be adapted over time according to capacity required to satisfy demand.

Buildings

15. Following the restructuring of Output Group 6.3, Corporate Services, this asset category will be managed within the Output Area 6.3.5 Conference, Security and Infrastructure Service.

16. This Category covers the building infrastructure that provides office accommodation, the Conference Centre, initial building fit out of information and communications technology infrastructure etc. Building assets fall under all three Asset Classes depending on their physical type and expected life:

- Class 1 (assets lasting between 1 and 10 years) include terminal equipment relating to electricity, fire safety, security and computerised building management (GTB) and most finishings, fittings and fitting-out of the different interior spaces.

- Class 2 (assets lasting between 10 and 20 years) principally comprise interior wall finishings, external woodwork, technical infrastructure equipment related to electricity, lighting, heating/air conditioning, ventilation, fire safety, security, automatic doors, various interior fittings, etc.

- Class 3 (assets lasting more than 20 years) include essentially the main building structures (roofing, facades, access paths etc.) and major equipment (lifts, backup generators, heat exchangers etc.).

17. Members made a major investment to renovate the Château and Marshall Building, and to construct the new Conference Centre on the La Muette site. This exceptional budget was required after many years of underinvestment, which resulted in all the buildings being in very poor state, and not in line with fire and health and safety conditions. Moreover, asbestos was a very serious risk in the Marshall Building. The Franqueville, Octave Feuillet and Monaco buildings (all owned and outside the scope of the

Site Project) have been improved over the years to the extent possible within the operational budget. In the same way the official residence was renovated in 2006.

18. The Organisation also rented various annexes to the west of Paris of variable quality and resulting in significant operational inefficiencies. Between 2009-2014 a program has been underway to rationalise this estate, which has resulted in the renting of successive floors and the reallocation of staff to the Delta annex and the closure of most of the other buildings (the remaining part of the Maillot annex was closed in August 2014, the Montigny storage in November 2014). Other annexes are managed directly by certain Part II Programmes.

19. The challenge today is how, via a sound management and investment strategy, to maintain the assets in good condition and lessen the risks and potential scale of expenditure in the future. This need is greatest in the Conference Centre, which is the main public 'face' of the Organisation, and which has already been operating intensively for five years and will be the first building to show signs of wear and tear.

20. The OECD Asset replacement strategy needs to be flexible to respond to emerging priorities while delivering the greatest value for money. Average asset lives will therefore serve as a guide. The 2015-18 MYIP will continue to focus on the replacement of essential Class 1 assets, and some limited replacement of Class 2 assets. Over time, however, the need to replace Class 3 assets will become inevitable. It will also be important to ensure that the buildings continue to respect host country norms and are in line with international best practices. This could mean important changes in the future to incorporate new requirements related to the environment and energy efficiency, and to offer additional services for people with special needs.

Conference Equipment

21. Following the restructuring of Output Group 6.3, Corporate Services, this asset category will also be managed within the Output Area 6.3.5 Conference, Security and Infrastructure Service.

22. Assets within this category are Class 1 only and consist essentially of video and audio technical equipment ranging from end-use items (projectors, screens, cameras, delegate and interpreter consoles, PCs, etc.) to technical units of various kinds (converters, mixers, distributors, processors, etc.). This equipment installed throughout the Conference Centre and the Organisation's smaller meeting rooms facilitates efficient collaboration within the secretariat, with delegates, and more widely and enables the Organisation to expand its capacity for remote conferencing.

23. Life expectancy of these assets depends on many factors, but in general is considered to be between 5 and 10 years. Maintenance and timely replacement of equipment will help sustain the quality of service provided in the Conference Centre and in small meeting rooms.

24. It should be noted that year-on-year purchase decisions will depend on a range of factors including actual levels of usage and reliability, technical developments, and the overall quality of audio-visual performance available, including at the Conference Centre.

Security and Fire Safety End-Use Equipment

25. This asset category will also be managed within the Output Area 6.3.5 Conference, Security and Infrastructure Service.

26. Assets in this category cover a wide range of end-use items (*e.g.* access control barriers and cubicles, cameras, screens, badge readers, viso- and interphones, intrusion equipment, associated PCs and

printers) together with technical units, high speed network, servers and software required to run these. Life expectancy is generally judged to be between 8 and 10 years, so fall under Class 1, with flexibility depending on performance, reliability and the Organisation's requirements.

Information and Communication Technology Assets (ICT Assets)

27. Following the restructuring of Output Group 6.3, Corporate Services, this asset category will be managed within the Output Area 6.3.4 Digital, Knowledge and Information Service.

28. ICT assets comprise hardware and associated software related to (a) the data centre, including servers and disk storage; (b) specialised networking, telecommunications and multi-media appliances; (c) specialised security appliances; and (d) personal computing workstations, laptops and printers. Collectively these assets provide the ICT infrastructure and capability needed to compute, communicate and collaborate efficiently and effectively. All these assets fall within Class 1, with asset lives in general ranging from three to six years. Some ICT assets are subject to built-in obsolescence, which results in vendor support ceasing. Rapid technological change also influences the replacement rate. Indeed, the useful life of ICT assets is increasingly trending downwards.

29. It should be noted that the MYIP covers asset replacements for Part I ICT assets from the CIBRF. Part II and VC funded areas cover the replacement of their ICT assets from their operating budgets.

30. ICT underpins a number of strategically important projects including Accessible, Open and Free data (the DELTA programme), the OLIS renewal project, and other projects linked to the Value for Money (V4M) Action Plan. Given the constantly increasing demand for investment in new ICT initiatives, funding asset replacement in this category represents a significant challenge in terms of prioritisation of initiatives and their subsequent implementation.

31. Various approaches to ensuring efficient, cost effective resource allocation, to alleviate some of the capital pressures continues to be actively explored. In particular, the use of managed services and technologies, such as cloud computing and storage, are being evaluated. These, if implemented, will result in the replacement of some capital outlays by operating expenditures in the ICT infrastructure area. The CIBRF and MYIP will be revised, as necessary, to reflect the change from capital expenditures to operating expenditures, in order to support this potential technology shift.

The Multi-Year Investment Plan (MYIP) 2015-2018

32. Table 1 contains the MYIP for the period 2015-18, setting out the estimated investment requirements by Asset Category and Asset Class.

33. It should be noted that in the case of printers, buildings and conference equipment, there are assets that have a value of less than KEUR 50 and/or relatively short lives. In order to ensure that the MYIP remains manageable administratively, these assets will continue to be managed within the Part I operating budget.

34. In the case of ICT assets, the MYIP covers the replacement of ICT *hardware* and the associated software of these assets. At this stage, the software applications development is not included in the MYIP.

Table 1: Multi Year Investment Plan 2015-2018 (2015-2018 values)

		2015				2016				2017				2018				Total 2015-2018			
Output Area	**Asset Category**	**class 1**	**class 2**	**class 3**	**total**	**class 1**	**class 2**	**class 3**	**total**	**class 1**	**class 2**	**class 3**	**total**	**class 1**	**class 2**	**class 3**	**total**	**class 1**	**class 2**	**class 3**	**total**
6.3.4	Information and communication Technology Assets (ICT Assets)	1,510	-	-	**1,510**	1,535	-	-	**1,535**	1,520	-	-	**1,520**	1,474	-	-	**1,474**	6,039	-	-	**6,039**
6.3.4	Printers	320	-	-	**320**	270	-	-	**270**	100	-	-	**100**	400	-	-	**400**	1,090	-	-	**1,090**
	Total Output Area 6.3.4 (1)	***1,830***	**-**	**-**	***1,830***	***1,805***	**-**	**-**	***1,805***	***1,620***	**-**	**-**	***1,620***	***1,874***	**-**	**-**	***1,874***	***7,129***	**-**	**-**	***7,129***
6.3.5	Buildings	710	329	-	**1,039**	736	285	-	**1,021**	1,195	260	-	**1,455**	1,260	170	70	**1,500**	3,901	1,044	70	**5,015**
6.3.5	Conference Equipment	150	-	-	**150**	263	-	-	**263**	359	-	-	**359**	484	-	-	**484**	1,256	-	-	**1,256**
6.3.5	Security and Fire Safety End-Use Equipment	244	-	-	**244**	90	-	-	**90**	393	-	-	**393**	76	-	-	**76**	803	-	-	**803**
	Total Output Area 6.3.5 (1)	***1,104***	***329***	**-**	***1,433***	***1,089***	***285***	**-**	***1,374***	***1,947***	***260***	**-**	***2,207***	***1,820***	***170***	***70***	***2,060***	***5,960***	***1,044***	***70***	***7,074***
TOTAL Multi Year Investment Plan (MYIP)		**2,934**	**329**	**-**	**3,263**	**2,894**	**285**	**-**	**3,179**	**3,567**	**260**	**-**	**3,827**	**3,694**	**170**	**70**	**3,934**	**13,089**	**1,044**	**70**	**14,203**

(1) Corresponds to PWB template of the Output Areas 6.3.4 and 6.3.5.

Financing

35. As set out in document C(2011)144, the investment needs of the MYIP are financed from the CIBRF Class 1 and Class 2 components.

36. Table 2 sets out the transfers to CIBRF over the four years of the plan, by funding sources.

37. The transfers to the CIBRF Class 1 are composed of:

- The transfer of the Investment Annex Budget (KEUR 7,845 over the four year plan);
- The transfer of the share of cost recoveries from Voluntary Contributions, Part II Overheads and internal and external billing that represents the amortisation of Class 1 assets used to support VC and Part II outputs (estimated at KEUR 3,452 over the four year plan);
- Additional transfers from Part I operating budgets from the Output Areas concerned as needed to finance the balance (estimated at KEUR 1,539 over the four year plan);

38. The transfers to the CIBRF Class 2 are composed of:

- Annual transfers from Part I operating budgets of at least MEUR 1.2 (KEUR 5,619 over the four year plan);
- The annual transfer of the share of cost recoveries that represent Class 2 asset amortisation from Conference Centre usage outside Part I (KEUR 399 over the four year plan).

39. The transfer to the CIBRF Class 3 is composed of:

- A transfer from Part I operating budget of KEUR 70 in 2018.

40. Table 3 shows the cumulative balance of the CIBRF taking into account the transfers to the CIBRF and the MYIP expenditures (use of the Reserve). A net draw on the reserve by KEUR 252 over the four years plan contributes to the financing of the Class 1 investment needs. The cumulative net transfer to the Class 2 reserve amounts to KEUR 4,974. The annual interest rate is estimated at 2% over the MYIP. The total estimated interest income amounts to KEUR 1,664 over the four year period. At the end of the four years, the CIBRF Class 1 component is estimated to have a zero net balance, the Class 2 component a net positive balance of KEUR 23,762 and the Class 3 component a net positive balance of KEUR 500.

Table 2: 2015-2018 transfers to the CIBRF by funding sources (2015-2018 values)

	2015				2016				2017				2018				Total 2015-2018			
Financing directed to the CIBRF from the following sources:	class 1	class 2	class 3	total	class 1	class 2	class 3	total	class 1	class 2	class 3	total	class 1	class 2	class 3	total	class 1	class 2	class 3	total
Investment Annex Budget	1,932	-	-	1,932	1,951	-	-	1,951	1,972	-	-	1,972	1,990	-	-	1,990	7,845	-	-	7,845
VC per person chargeback	267	-	-	267	267	-	-	267	267	-	-	267	267	-	-	267	1,068	-	-	1,068
Part II Overheads	209	-	-	209	212	-	-	212	214	-	-	214	216	-	-	216	851	-	-	851
Conference Centre billings	110	99	-	209	110	99	-	209	111	100	-	211	112	101	-	213	443	399	-	842
Part I Operating Budgets	493	1,455	-	1,948	446	1,423	-	1,869	1,010	1,410	-	2,420	680	1,331	70	2,081	2,629	5,619	70	8,318
TOTAL	3,011	1,554	-	4,565	2,986	1,522	-	4,508	3,574	1,510	-	5,084	3,265	1,432	70	4,767	12,836	6,018	70	18,924

Table 3: Cumulative Balance of the CIBRF (2015-2018 values)

	2015				2016				2017				2018				Total 2015-2018			
	class 1	class 2	class 3	total	class 1	class 2	class 3	total	class 1	class 2	class 3	total	class 1	class 2	class 3	total	class 1	class 2	class 3	total
Estimated Initial Balance of the Investment Reserve	**252**	**17,124**	**500**	**17,876**	**329**	**18,716**	**500**	**19,545**	**421**	**20,352**	**500**	**21,273**	**428**	**22,034**	**500**	**22,962**	**252**	**17,124**	**500**	**17,876**
Financing directed to the CIBRF (= MYFP) (A)	**3,011**	**1,554**	**-**	**4,565**	**2,986**	**1,522**	**-**	**4,508**	**3,574**	**1,510**	**-**	**5,084**	**3,265**	**1,432**	**70**	**4,767**	**12,836**	**6,018**	**70**	**18,924**
Output Area 6.3.4	1,861	-	-	1,861	1,809	-	-	1,809	1,819	-	-	1,819	1,445	-	-	1,445	6,934	-	-	6,934
Output Area 6.3.5	1,150	329	-	1,479	1,177	285	-	1,462	1,755	260	-	2,015	1,820	170	70	2,060	5,902	1,044	70	7,016
Output Group 6.3	-	*1,225*	-	*1,225*	-	*1,237*	-	*1,237*	-	*1,250*	-	*1,250*	-	*1,262*	-	*1,262*	-	*4,974*	-	*4,974*
Multi Year Investment Plan (MYIP) (B)	**2,934**	**329**	**-**	**3,263**	**2,894**	**285**	**-**	**3,179**	**3,567**	**260**	**-**	**3,827**	**3,694**	**170**	**70**	**3,934**	**13,089**	**1,044**	**70**	**14,203**
Output Area 6.3.4	1,830	-	-	1,830	1,805	-	-	1,805	1,620	-	-	1,620	1,874	-	-	1,874	7,129	-	-	7,129
Output Area 6.3.5	1,104	329	-	1,433	1,089	285	-	1,374	1,947	260	-	2,207	1,820	170	70	2,060	5,960	1,044	70	7,074
Net transfer to the Investment Reserve [1] (A - B)	***77***	***1,225***	-	***1,302***	***92***	***1,237***	-	***1,329***	***7***	***1,250***	-	***1,257***	***(428)***	***1,262***	-	***834***	***(252)***	***4,974***	-	***4,722***
Estimated Interest on the Class 2 Investment Reserve balance of the year (~2.0%)	-	***367***	-	***367***	-	***399***	-	***399***	-	***432***	-	***432***	-	***466***	-	***466***	-	***1,664***	-	***1,664***
Cumulative balance of the Investment Reserve after Investments of the Year	**329**	**18,716**	**500**	**19,545**	**421**	**20,352**	**500**	**21,273**	**428**	**22,034**	**500**	**22,962**	**-**	**23,762**	**500**	**24,262**	**-**	**23,762**	**500**	**24,262**

[1] Corresponds to PWB template of the Strategic Objective 6 and Output Group 6.3.