

Board of the Centre

Extraordinary session (84th), 24 May 2021

CC 84/1

FOR DISCUSSION AND GUIDANCE

ITEM ON THE AGENDA

The Centre's proposed Operational Model

Introduction

At its 83rd session (October 2020) the Board of the International Training Centre (the Centre) considered the document, "Post COVID-19: future direction of the Turin Centre¹". It sought the Board's guidance on the Centre's future operational model taking into account the needs of constituents, institutional developments within the ILO and the evolving external environment. The COVID-19 pandemic has been a defining feature of that environment having had an immediate impact on the operations of the Centre and shaping the future in which it will operate and to which it must respond effectively. The Board requested the Centre to develop an operational model based on a scenario outlined in the document² that would expand its on-line learning activities while reducing face-to-face learning and providing for financial stability and growth in the delivery of services by the Centre. The proposed operational model is set out in this document. The first section describes the future service portfolio. Subsequent sections outline the impact on the Turin campus, the broad implications for the Centre's staffing and finally the forecasted financial implications. This document, together with the guidance provided by the Board will inform the development of the Programme and Budget Proposals for 2022-23 and will be the basis of the Strategic Plan for 2022-25 to be presented to the 85th session of the Board in October 2021.

I. The future service portfolio

The market for capacity development services

1. The environment within which the Centre operates is undergoing **fundamental change**, driven by long-term trends and accelerated by the COVID-19 pandemic. The analysis of the social, technological, economic, environmental and political forces shaping the marketplace for capacity development services indicates that:
 - a. learners are increasingly technology-savvy, want to access learning services at their convenience, and co-create their own learning experience;
 - b. advances in digital technology open new opportunities for learning service providers to upscale outreach and to reduce unit costs;
 - c. economic measures post-COVID 19 could negatively impact official development assistance resulting in reductions in development budgets, putting further pressure on training activities requiring financial support; and,

¹ CC83/2

² CC83/2, paragraph 29

-
- d. environmental concerns will depress demand for capacity development services involving global travel and on-campus activities.
2. These changes in the environment present both opportunities and risks for the Centre:
- **Opportunities:** The fast pace of new knowledge generation and rapid technological change increase the demand of ILO constituents for lifelong learning about human-centred approaches to successfully facilitate Future of Work Transitions. The Centre can readily leverage global alliances and partnerships with ILO constituents to respond to this demand; as an ILO entity, it stands alone as a centre of excellence to deliver training on fundamental labour and employment themes such as International Labour Standards, Social Dialogue and Tripartism. The Centre is acknowledged as a learning innovation leader, enjoys fast growing in-house capabilities in digital learning and collaboration and has highly qualified staff with knowledge and expertise of the key policy areas covered by the ILO mandate, developed in close collaboration with ILO Policy Departments. The Centre has strong support from social partners and is integrated within the United Nations System.
 - **Risks:** The economic impact of the pandemic at national levels could negatively affect staff development budgets and investment decisions including voluntary contributions of ILO constituents and other development partners, requiring the Centre to revise further its operational model and to place even stronger focus on digital learning and collaboration solutions. The global health risks and efforts to combat climate change could also lead individual learners and institutional clients to opt for online learning or alternatively local training rather than traveling to Turin and attending training on campus.

The evolution of the capacity development strategy of the Centre

3. In the past, the main emphasis of the Centre was on individual-level capacity development, with focus on face-to-face training. **The 2018-21 strategy framework set the stage for the diversification of the service portfolio** to better harness digital learning and collaboration technology and applications, in response to the ILO's strengthened focus on institutional capacity development. During the 2018-19 biennium, the Centre expanded its distance-learning outreach and developed a suite of advisory services to complement its training activities. The Centre also invested heavily in learning innovation, piloting Augmented and Virtual Reality (AVR) applications and introduced new training products on future foresight techniques, big data mining, and artificial intelligence. The COVID-19 pandemic accelerated **the pace of transformation of the Centre's service portfolio in 2020**, and was characterized by a shift from face-to-face training to online learning, a stronger focus on institutional-level and system-level capacity development services and the rollout of AVR technologies.
4. The changes in the operating environment discussed above imply that social, technological, economic, environmental and political forces will continue to exert pressure on the Centre to progress along this digital transformation path. To grasp this opportunity, **the capacity development strategy of the Centre needs to further evolve**, by reinforcing the underlying vision, mission and principles, by adjusting the service mix, by focusing more strongly on capacity-development related aspects of the Centenary Declaration, and by positioning the Centre as an ILO learning innovation hub in the UN System.

5. Principles fit for the 2020's: The principles guiding the work of the Centre will need to further evolve in response to changed context and in line with the following principles:

- Rights-based: Promoting International Labour Standards, Social Dialogue and Tripartism, sustainable business practices, social inclusion, non-discrimination and digital inclusion.
- Human-centred: Putting people first in the just transition towards the Future of Work.
- Embracing diversity: Embracing diversity among participants in learning activities offered by the Centre, among staff of the Centre, and among resource persons and partner organizations co-delivering capacity development services.
- Connected: Working in partnership and blending the global expertise of the Centre with the local expertise of partners, including universities and research institutions.
- Quality focused: A more data-driven approach to monitoring and evaluation, and an emphasis on widely sharing results to inform evidence-based decision making.
- Participant-centred: Co-creating learning services with participants and institutions.
- IT-enhanced: Harnessing digital technology to scale up outreach and reduce the financial burden on contributors and participants.
- Innovative: Continuously adapting learning applications and technology.
- Safety First: Health and wellbeing of participants and staff is a primary concern.
- Sustainability: Transferring ownership of knowledge and expertise to local partners and taking advantage of digital technology to scale up outreach and ensure financial stability.

Digital inclusion

Digital inclusion has many implications for learning service providers like the Centre: For example, participants need to be able to access digital technology like mobile phones and computers and digital support infrastructure like the internet. The Centre, in turn, needs to be able to assess costs and benefits of a fast-growing technology application spectrum in order to make sustainable investment choices, narrow down the digital divide and ensure equal access to its learning offer and to control risk. The Centre commits to the principles for digital development promoted by a global alliance of development partners including Governments, UN agencies and international non-governmental organizations to promote digital inclusion in its work.

The graphic titled "Principles for Digital Development" features a logo of colored squares on the left. It lists ten principles, each with a corresponding icon: a person for "Design With the User", a globe for "Use Open Standards, Open Data, Open Source, and Open Innovation", a leaf for "Understand the Existing Ecosystem", a gear for "Reuse and Improve", a scale for "Design for Scale", a padlock for "Address Privacy & Security", a factory for "Build for Sustainability", a group of people for "Be Collaborative", a bar chart for "Be Data Driven", and a globe with a lock for "Use Open Standards, Open Data, Open Source, and Open Innovation".

<https://digitalprinciples.org/about/>

6. A firm commitment to ILO constituents: The ILO constituents are the primary target beneficiaries of the Centre's services. The Centre will continue to provide learning services for ILO staff and to other ILO partners with a mandate for the implementation of the Centenary Declaration and to promote Future of Work Transitions. The Centre will in future make a more explicit distinction between individual learners to be reached mainly through training, and institutions to be reached through advisory services, product development support and media development services.

-
- 7. A shift in the service portfolio.** The traditional focus of the Centre on face-to-face (F2F) training will shift towards a more diversified portfolio of training activities, blending face-to-face training and online learning, and complementing it with non-training services for institutional clients. The main implications of this shift in the service portfolio will be:
- a. less F2F training on the Turin campus and more F2F training in the field (delivered in partnership with local organizations);
 - b. more online training and more training using AVR; and,
 - c. more advisory assignments with learning service providers for the promotion of Decent Work and Social Justice.
- 8. A stronger focus on capacity development related aspects of the Centenary Declaration:** The future focus areas of work of the Centre will be determined by the ILO 2022-25 strategy framework and the ILO Programme and Budgets that in turn will be guided by the 2019 Centenary Declaration and the 2020 UN Comprehensive Response to COVID-19. Within these parameters, there is room to leverage the core expertise of the Centre in the field of capacity development on human-centred approaches to Future of Work transitions and on strategies for promoting employment-rich growth post COVID 19. In this context, the Centre could more systematically promote its core expertise in innovation, digital learning and digital collaboration and seek to position itself as a provider of systemic capacity development solutions that bundle training for individuals with management advice, knowledge management support and product development support for organizations. It might furthermore be explored whether the Centre's services could be more visibly embedded in the ILO's resource mobilization strategy and be incorporated as an essential element in the design of ILO capacity development projects in order to more clearly differentiate the ILO human centred approach from other development cooperation solutions. Two specific areas where the Centre may be called upon to develop targeted activities are: increasing the knowledge of UN country teams and their local partners about the Decent Work Agenda and the Centenary Declaration, and training ILO constituents on advocating Decent Work when programming UN Development Assistance Frameworks and national COVID 19 recovery strategies.
- 9. Positioning the Centre as an ILO learning innovation hub:** The Centre is already widely used by ILO offices and departments to operate online knowledge management systems and to deliver online learning and collaboration solutions including online fairs and AVR conferences. The Centre has also achieved recognition as a learning innovation champion across the UN system, developing inter alia, on-line training courses and VR training simulation platforms. To consolidate this role as innovation hub, the Centre, with financial assistance from the Italian Government, is currently building a learning innovation laboratory that will expose participants to next generation learning innovation technology such as deep learning with the help of holography. Synergies will be derived through engagement with units at ILO Headquarters responsible for innovation and business improvement to bundle and more systematically leverage this in-house capacity to support ILO constituents in their own learning innovation transitions and to add value to the capacity development interventions of other UN agencies. The Centre will also engage with the UN High Level Committee for Management's Taskforce on the Future of the United Nations System Workforce addressing leadership within the System. The work of the Centre will be imbedded into the wider United Nations Innovations Network and draw more systematically on partnerships with academic bodies and other training institutions to share global best practice in learning innovation.

A closer look at the new service mix of the Centre

10. The new service mix of the Centre is modelled on the **UN common capacity development approach** and takes guidance from the **ILO capacity development strategy** adopted in 2019. The three capacity development levels (individual, institutional and system-level) are illustrated in the table below³.

Table 1: Service portfolio matrix

	Immediate objective	Means of action	Intended outcome
Individual capacity development	To strengthen the delivery capacity of an individual	Training Coaching	Increased functional and technical skills, resulting in improved individual performance
Institutional capacity development	To strengthen the delivery capacity of an organization	Advisory services Product development support	Improved institutional capacity to operate in a sustainable manner
System capacity development	To strengthen the holding capacity of the eco-system within which organizations and individuals interact	Dialogue events Knowledge management services Advocacy campaigns	A more enabling environment for interaction

11. The new service mix meets the demands of constituents for a **combination of individual capacity development and institutional capacity development services**, blending face-to-face training and online training, and complementing it with advisory services. Face-to-face training would continue to be an important element of the service mix, but the main growth will be in on-line training and digital learning, and collaboration solutions for institutional beneficiaries.

12. Table 2 illustrates the evolution of the portfolio of the Centre since 2019, by number and mix of activities. The figures for 2020 reflect the accelerated shift towards online learning services and a further growing weight of non-training advisory services driven by the pandemic. Importantly, the evolution of the service portfolio of the Centre has significantly boosted its performance in terms of outreach. During 2020, the Centre more than doubled the size of its participant universe from 20,000 to more than 50,000 learners due the scalability and cost effectiveness of its online learning offer. Results also showed increased diversity in participants, and more inclusiveness through being able to reach participants unable to travel. The forecasts for 2021 show a continuation of this growth

³ For more information refer to Board document CC83/1 on the evolution of the service portfolio of the Centre submitted to the Board in October 2020.

trend but assume that some face-to-face training can resume in late-2021 should COVID travel restrictions be eased. The full weight of non-training services is not yet reflected in the 2021 forecast but based on the mid-term trend since 2014 (table 3 refers), it can be assumed that at least one-third of all activities will eventually fall into the category of non-training services.

Table 2: Changes in portfolio structure (2019-21)

Source: MAP, figures for 2021 based on activity pipeline as of 6 April 2021

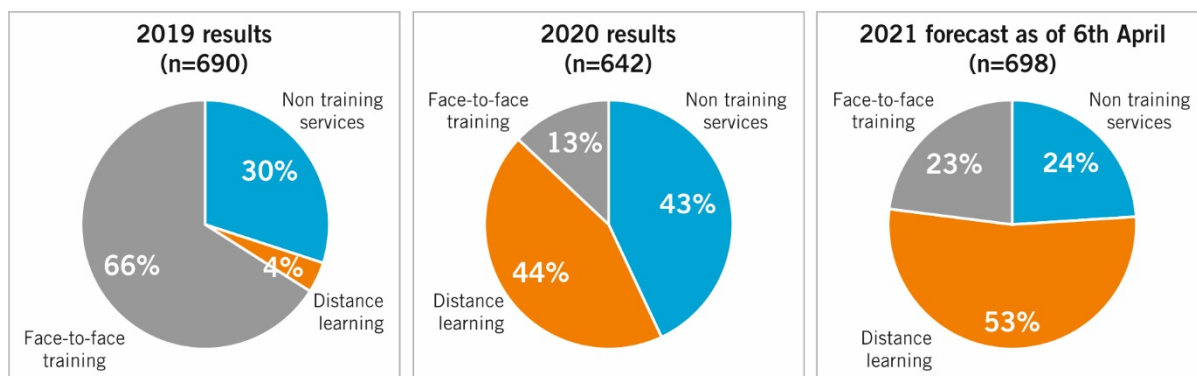
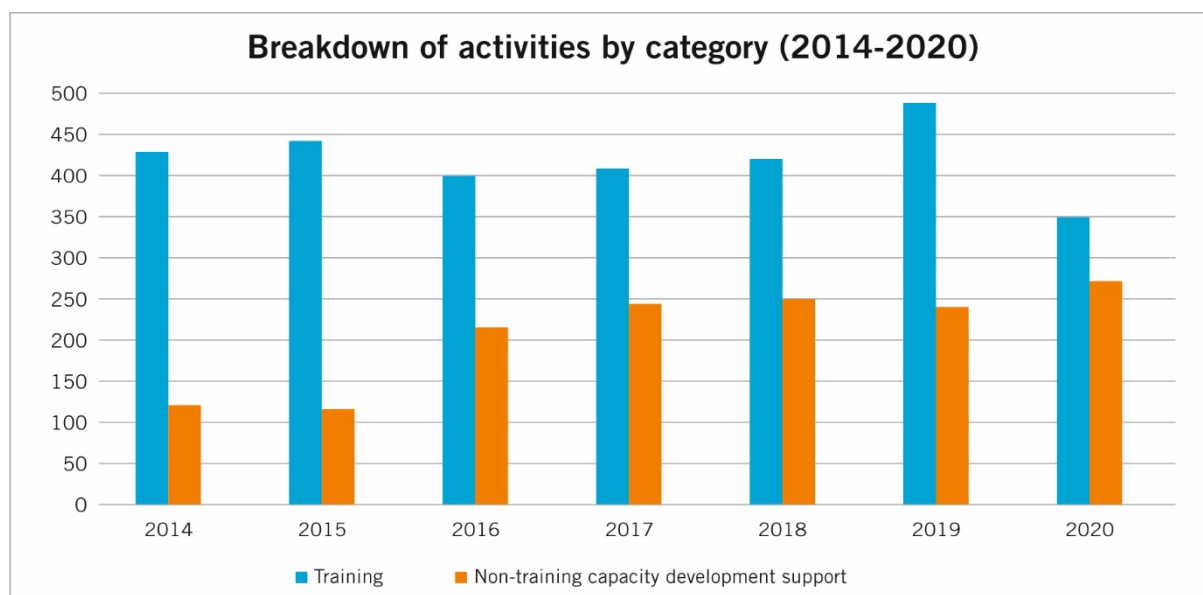


Table 3: Breakdown of activities by category (2014-20)



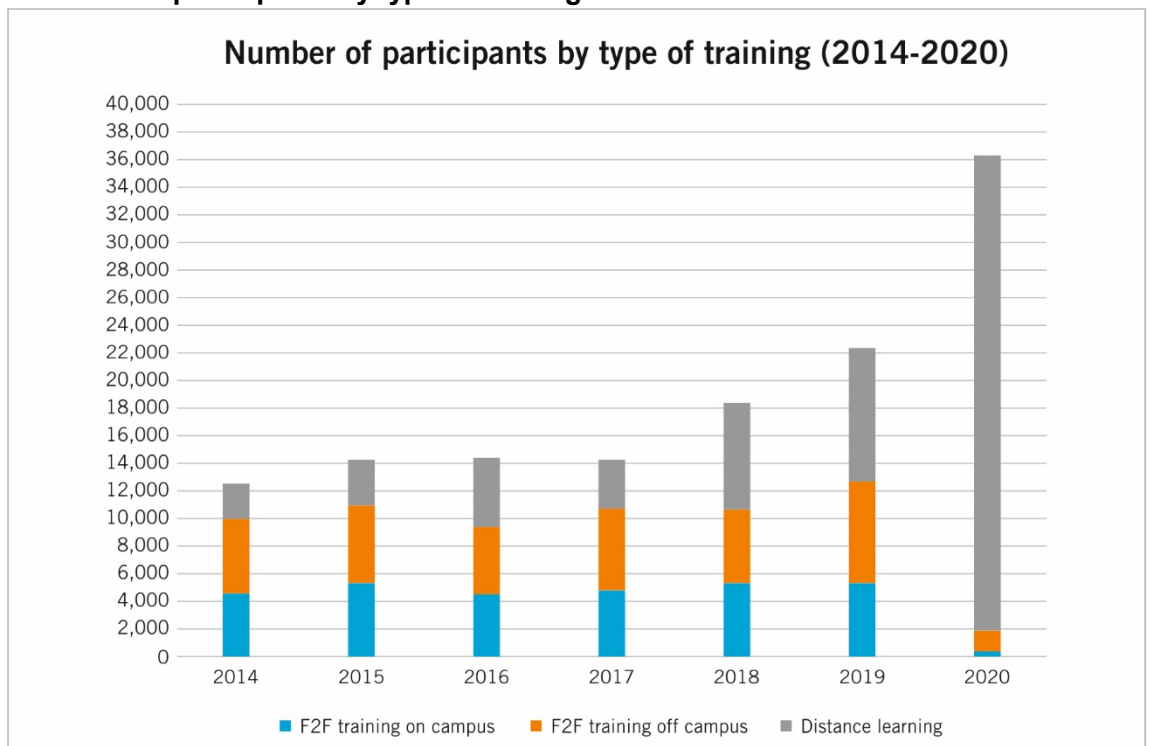
Source: MAP. Media development activities started to be recorded in MAP in early 2016, with the introduction of the new MAP.

13. The new service portfolio puts the Centre on a sustainable growth path:

- For individual beneficiaries, the Centre will be able to take full advantage of the scalability and instant replicability of online learning services to **reach out to participants worldwide**; the 2020 outreach figures imply that with the new portfolio structure, the Centre can reasonably expect to continue to **reach more than 50,000 participants in the future – twice the number achieved before the 2020 crisis**. Also, by shifting focus away from smaller group training events on campus towards large-scale academies and global retreats, dialogue events and conferences, the Centre can unlock scale effects even in F2F training and

promote blended learning on a global scale. In line with a long-standing request from constituents, smaller group-based training activities could move to the field and be co-delivered in partnership with local training institutions. Digital technology facilitates the delivery of online learning activities in partnership with national and regional training institutions, combining global and local expertise and making it accessible at low cost to participants. By way of blending online learning and face-to-face training, the Centre empowers participants to embark on multi-step learning journeys better synchronized with their own work schedules, easily spread across calendar years and with stackable credentials that might lead to executive education certificates.

Table 4: Number of participants by type of training 2014-20



Source: MAP and eCampus. For 2014-2017, blended learning participants are included in face-to-face training on/off-campus. For 2018-2020 the number of distance learners is included. Distance learning: count of active distance learners.

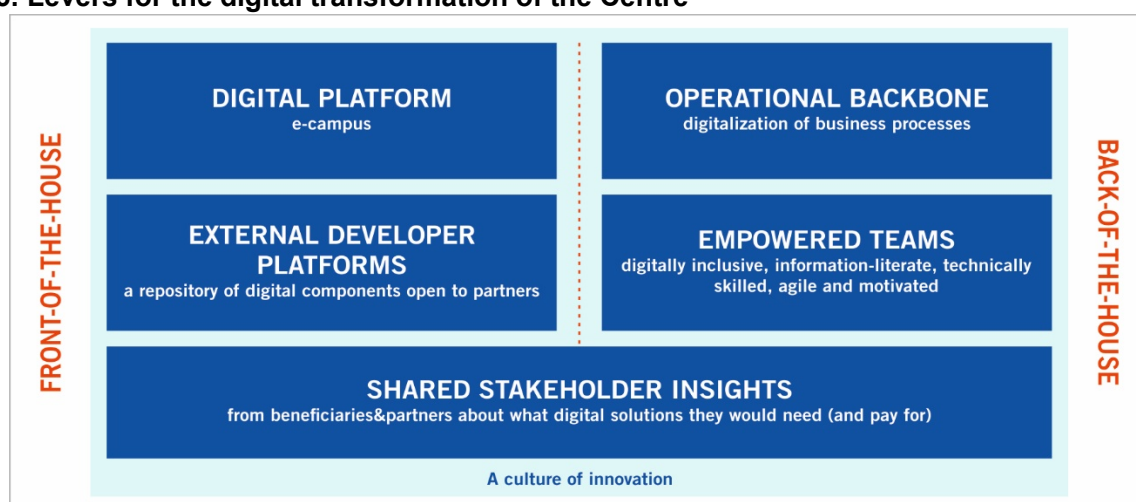
- For institutional beneficiaries, the Centre will be in a position to expand the depth and breadth of its institutional-level and system-level capacity development services in line with the role and functions assigned to it by the ILO 2019 institutional capacity development strategy. One area where the Centre faces particularly **high demand is for digital learning and collaboration solutions for constituents**. These demands include online conferences and fairs, and the development of knowledge management systems and online learning platforms. In this context, it could be particularly important to further develop the concept of indirect beneficiaries where the Centre strengthens the capacity of constituents to deliver digital learning and collaboration solutions for their own membership and then together with its partners, monitors local outreach. The concept of indirect beneficiaries has been piloted by the Employers Activities Programme in 2019 with the development of an e-OSH platform used by local EBMOs and was found to hold significant promise.

14. The new service portfolio will also further **improve the impact of the capacity development services** of the Centre due to the additional focus on institutional capacity development support for ILO constituents. By combining training and technical advisory services, the Centre puts local partners in a stronger position to independently and effectively provide capacity development services to their own membership, to make their voice heard in national policy dialogue and to effectively advocate for decent work and social justice in programming at local level.

Levers for digital transformation

15. To successfully deliver participant benefit– both for individual learners and constituent organizations – the Centre needs to accelerate **digital transformation with a focus on the five ‘levers’** identified in Table 5 underpinned by a **culture of innovation**:
- expand the digital platform of the Centre (called the **eCampus**) through which individual learners can access online learning and collaboration offers;
 - build **external developer platforms** set up under commission from, and sometimes managed on behalf of institutions; via these external platforms, selected digital assets are made accessible by partners to their own beneficiaries;
 - strengthen the operational backbone, where the aim is to **digitalize internal processes** linked to the Centre’s support services (Human Resources, Finance, IT and Facilities management) in order to improve efficiency and cost effectiveness; implement eCommerce through which participants can be directly enrolled, pay and be given access to the eCampus;
 - implement measures to ensure that **staff are motivated** to embrace, change, become technically skilled, digitally inclusive and information-literate;
 - scale up the use of digital learning analytics and artificial intelligence to **systematically collect and analyze stakeholder insights**, prototype new products and crowdsourcing views of participants and institutions engaged with the Centre; and,
 - nurture a **culture of Innovation and quality** that embraces digital learning technology and applications and harnesses artificial intelligence to evaluate service quality.

Table 5: Levers for the digital transformation of the Centre



16. As illustrated in the above table, the digital platform and the external developer platforms are outward looking or front-of-the-house while the operational backbone and empowered teams relate to inward looking or back-of-the-house aspects of digital transformation; the shared stakeholder insight dimension reaches for both ends of the spectrum since it is

both outward and an inward looking, i.e., takes into account both external and internal stakeholder groups. Importantly, the five building blocks should be visibly imbedded in an organization-wide culture of innovation and quality that embraces inevitable change extending beyond the Centre and connecting it to other training organizations and academic bodies in the global learning innovation eco-system. The Centre should systematically draw on this body of knowledge by leveraging its in-house expertise with external collaborators from the global learning innovation network.

II. Campus infrastructure implications

- 17.** The proposed new operational model would result in a reduced need for classrooms on campus and reduced hotel occupancy for the Centre's activities. It is estimated that once the pandemic is over, operating under the new model would require an average annual hotel-bed-night capacity of some 27,000 compared with 50,000 in 2019.
- 18.** The estimate of 27,000 bed-nights reflects a possible mix of face-to-face training activities, large academies, global dialogue meetings, leadership and other special events based on the successful diversification of the service portfolio towards digital learning and collaboration solutions during the 2020-21 biennium. Whilst some increase in needs (bed-nights and classrooms) over the forecasted 2022 level may materialize in future years it is considered highly unlikely that the Centre's on campus activities would return to 2019 levels.
- 19.** The revenue and expenditure projections presented in section IV of this document demonstrate that the Centre's financial stability would be positively impacted by the proposed operational model. Any loss of revenue streams from reduced hotel occupancy and on-campus activity could be compensated through increases in other training activities and through repurposing or returning to the City of Turin parts of the campus in an effort to reduce fixed costs.

Background information about the campus

The Campus was constructed in 1961 as a temporary exhibition space. Its design and construction did not envisage the facilities continuing to be used some 60 years later.

An agreement between the City of Turin and the ILO has existed since 1964 defining responsibilities for various categories of maintenance of the Centre. The City of Turin is responsible for major repairs and normal protection work (re-dressing facades, external painting, etc.) and the repair of damage caused as a result of *force majeure*, inclement weather, defects in construction or wear and tear, and maintenance of the parkland and its installations, roads and pathways and the replacement of the buildings should the need arise (referred to as extraordinary maintenance). The Centre is responsible for ordinary maintenance and minor routine repairs. This agreement was an integral component of the decision between the Government of Italy and the ILO to establish the Centre in Turin in 1964.

Major renovations of selected pavilions were undertaken between 2005 and 2014 on pavilions Americas 1, Americas 5, Africa 8, Africa 9, Piemonte, and Europe. As foreseen in agreements with the City of Turin and the Italian Government, substantial contributions were provided by them, the Region for Piemonte, and Italian Foundations to make these projects possible.

The City of Turin was one of the major contributors to the renovations undertaken in 2006, contributing some €6 million. Since that time contributions for maintenance as foreseen in the agreement have declined resulting in increased charges to the ITC budget and the deferral of maintenance activity. The current arrangement foresees an annual contribution of €180,000 from the City of Turin.

Annual operating costs for a fully operational campus (2019) of 20 pavilions including the hotel and catering services were some €3,700,000, from which there was a net recovery of some €90,000 relating to catering utility consumption and €330,000 for shared common services with the existing two campus partners. Revenue of €3.45 million, from the 50,000 nights of accommodation in 2019 was sufficient to cover all remaining campus operating costs.

A comparison of the costs of operating the campus with standards issued by the International Facility Management Association indicates that the Centre's operating cost are 33% lower than the average operating costs for facilities located in Italy. This variance is due to an underspending on campus maintenance rather than cost effectiveness or efficiency comparisons.

The refurbishment of two pavilions Africa10 and Africa11 has been approved and funded through support from the Italian Government and work will commence in May 2021. These pavilions will become a modern innovation hub fundamental to the new service delivery model and to developments in the global training environment.

Major renovations of six other pavilions will be required over the next 10 years with an indicative cost of €19.5 million. The renovation works will address occupational safety and health issues, significantly improved space utilization for training and administrative purposes, enhanced environmental sustainability, revised building management capacities and basic structural deterioration. Studies commissioned between 2017 and 2019 identified the following range of issues:

- a) Non-compliance with current Italian legislation.
- b) A high seismic risk for seven pavilions with a need for urgent repairs; a medium to low risk on other pavilions with a mid- to long-term priority for repair work;
- c) Presence of asbestos containing materials, although there is no immediate health hazard to staff or participants;
- d) Inadequate insulation resulting in increased heating and cooling costs;
- e) Defective roof structures that were no longer weather resistant resulting in water infiltration;
- f) The electrical wiring and other cabling require renewal to meet increasing demands and revised standards;
- g) Campus water reticulation and drainage facilities are obsolete;
- h) Numerous internal building defects such as unstable ceilings;
- i) Inefficient use of available space due to design limitations.

A multi-annual plan setting out the campus investment needs over an eight year period has been shared with the host Government. Emerging from those preliminary discussions is a willingness to provide the required funding and an expectation that the complementary costs of renovation viz., design, furniture and equipment, IT would be met by the Centre and/or other occupants of space on the campus.

Possible resizing of the Campus

20. Three different scenarios have been evaluated based on the proposed operational model. In all cases, capital investment would be required, not only to meet the deficiencies mentioned above, but also to reconfigure the reduced space into an appropriate mix of administrative and training space. The improved space utilization resulting from renovation activities would reduce significantly the overall space requirement for both offices and training space irrespective of the reduced level of on-campus activity. Hotel capacity in scenarios 2 and 3 would exceed immediate needs but would provide scope for growth and possible contributions towards fixed costs should exploitation of the spare capacity be realized.
21. Without the investment in refurbishing the campus to address the health and safety, structural and environmental concerns, the Centre would become both unsuitable and undesirable as a workplace and destination for training activities.
22. Any proposal to sub-divide the campus and reduce the Centre's footprint would require the renegotiation of the existing agreements with the City of Turin and/or the host Government.

Scenario 1

Fig. 1: Campus resizing – scenario 1



23. A basic scenario providing office space only for ITC staff and facilities for smaller face-to-face training activities was reviewed (Fig. 1). This scenario is a minimalist model and does not provide for existing UN partners. An investment of some €4.35 million in the conversion of accommodation space to office space would be required and while the campus operating costs would be considerably reduced, the need to use third-party suppliers for accommodation and for training space for larger events, would reduce contributions to fixed cost recovery, involve logistical inconveniences and provide no scope for growth. This option was not pursued further.

Scenario 2

Fig 2: Campus resizing - scenario 2



24. A second scenario involving the southern section of the campus as illustrated in Fig. 2 has also been considered. Following renovation of two pavilions, Americas 2 and Americas 5, sufficient office accommodation would exist for ITC, UNICRI and UNSSC staff, hotel accommodation at 65% of current capacity and sufficient classroom space for an appropriate range of face-to-face activities. Catering requirements could continue to be met on campus, therefore retaining the all-inclusive training/meeting experience that is one of the unique features of the Centre. Under scenario 2 the following parameters would apply:

- a) The Centre would retain Pavilions Europe, Africa 8, 9, 10, 11, 12, Piemonte and Americas 1, 2, 3, 4, 5, 6.
- b) Office and training space would be provided for the Centre, UNICRI and UNSSC purposes. Such an approach would be consistent with UN Reform objectives of joint occupancy.
- c) There would be sufficient space for:
 - i. Up to 650 simultaneous participants in F2F activities in conference layouts; or
 - ii. Up to 300 simultaneous participants with more flexible layouts.
- d) Large classroom facilities would be available to cater for short-term needs and to provide for future growth.
- e) Hotel accommodation would be available on-campus; 171 rooms or 220 beds (60,900 hotel bed nights) compared with the current 260 rooms or 340 beds (92,820 hotel bed nights).
- f) Catering requirements would be met on campus.
- g) UNSSC and UNICRI would be within the Centre's campus and would continue to contribute to operating costs; a review of existing cost-sharing agreements should be envisaged.
- h) Renovation needs for Americas 2 are estimated at €6.5 million.
- i) Renovation needs for Americas 5 are estimated at €2 million although financing for this pavilion should be sought independently by UNSSC.
- j) In this configuration Africa 8 and Africa 9 would be retained as training and accommodation facilities and not require renovation in the medium term.
- k) Modifications of the perimeter to meet United Nations Security standards would be required; est. €100,000.
- l) Changes to infrastructure would be required to separate utility supply and management; est. €600,000.

- m) There would be an estimated reduction in ongoing operating costs of some €0.8 million between fixed and variable campus costs.
- n) The reduced campus would require fewer outsourced services⁴. A reduction of 30 roles⁵ could be anticipated although some of these losses could be offset by the needs of other operators on the remaining areas of the campus.
- o) The reduction in the contribution to fixed costs from reduced hotel activity compared with 2019, estimated at €700,000 would have to be compensated from other activities.
- p) The potential contribution from exploiting spare hotel capacity is estimated at between €33,000 and €165,000⁶.

Scenario 3

Fig. 3: Campus resizing - scenario 3



25. A third scenario with the ITC retaining overall responsibility for the full campus and, following renovation, engaging with partner organisations to utilise available space (up to 10,700 square metres) would have the following parameters:

- a) There would be sufficient space for:
 - i. Up to 700 simultaneous participants in F2F activities in conference layouts; or
 - ii. Up to 400 simultaneous participants with more flexible layouts.
- b) A full range of large classrooms would be available to cater for short-term needs and to provide for future growth.
- c) Hotel accommodation would be available on-campus; 171 rooms or 220 beds (60,900 hotel bed nights) compared with the current 260 rooms or 340 beds (92,820 hotel bed nights).
- d) Renovation needs for Americas 2 are estimated at €6.5 million.
- e) Renovation needs for Americas 5 are estimated at €2 million although financing for this pavilion should be sought independently by UNSSC.
- f) Renovation needs for Asia 14, 15 and Oceania 17, 18 are estimated at €11 million, although this space would not be used in the medium term by ITC.

i. Asia 14	€3 million
ii. Asia 15	€3.5 million
iii. Oceania 17/18	€4.5 million
iv. Italy	TBD, not yet evaluated.

⁴ Outsourced services include, catering, hotel management, cleaning, security, maintenance, transport and gardening functions which are all provided under competitively bid contracts with local suppliers.

⁵ Not FTEs – 10 cleaning, 10 catering; 5 reception/guest services; 5 maintenance.

⁶ Assumption range based on 10% to 50% use of spare capacity at a contribution rate of €10 per night.

-
- g) Oceania 19 would be condemned due to its exposure to flooding and restrictions within the Turin Zoning Plan and National Flood Prevention Risk Plan and advice that authority to renovate or rebuild would not be forthcoming.
 - h) No modification would be required to meet United Nations Security Standards for the perimeter.
 - i) There would be no immediate reduction in the level of outsourced services.
 - j) Although not critical, it would be strongly advisable to change the infrastructure to separate utility supply and management for all pavilions; est. €600,000.
 - k) The reduction in the contribution to fixed costs from reduced hotel activity compared with 2019, €700,000, would have to be compensated from other activities.
 - l) The potential contribution from exploiting spare hotel capacity is estimated at between €33,000 and €165,000.
 - m) Estimated minimum contribution from new partner occupied space to offset increased campus operating costs and share in common costs - €900,000 once the campus is sufficiently renovated to provide for right sizing of ITC, UNSSC and UNICRI space.

Assessment of scenarios

- 26.** In all three scenarios, the ongoing commitment of the host government and local authorities to cover costs as set out in the initial agreements would be essential to ensure the viability of maintaining the Centre and a reasonable level of activities in Turin. That commitment would include the capital investment required to ensure the campus remains a safe, modern and environmentally responsible facility. The initial investment requirements for ITC needs beyond those already approved for Africa 10 and 11, relate to Americas 2, and have been estimated at €6.5 million.
- 27.** Following a review of options for consolidating the Centre's occupancy of space and dividing the campus in various configurations it has been determined that the direct needs of the Centre and its existing UN partners could be met by scenario 2. When compared with the operating costs of the current campus, the estimated annual cost savings between fixed and variable campus costs would be some €800,000.
- 28.** Scenario 1 would also meet the anticipated needs of the Centre and is potentially the lowest cost option. However, transition to this scenario would take time and would be dependent on securing cost-effective external facilities as and when needed. It would also require separate arrangements to be made for the other users of the campus, in particular UNSSC and UNICRI, and provide no scope for growth. It would also have the greatest implications on overall employment on the campus. For these reasons it is not recommended.
- 29.** Rather than returning of parts of the campus to its owner, the City of Turin, as implied in scenarios 1 and 2, it could be possible to enter into an arrangement described in scenario 3, under which ITCILO would retain the lease on the entire campus with a mix of medium to long-term agreements with partners together with other short-term rental or accommodation arrangements, to ensure sufficient revenue streams to cover operating costs excluding the extraordinary maintenance to be financed pursuant to previously mentioned agreements.

-
- 30.** Scenario 3 would require strong support from the Host state in pursuing partnerships with compatible organisations and in developing related refurbishment plans. Realising the vision of the Campus as an international hub for training and innovation would be a key objective. Equally important for legal and practical reasons would be a preference for partner organisations that share the privileged status of United Nations and multi-lateral institutions. A number of partnership possibilities have been identified and informal discussions with the Host state have indicated a readiness to engage in pursuing this matter for the benefit of both parties.
- 31.** It is estimated that full occupancy of the northern portion of the campus by new partners would enable the recovery of cost-offsets of some €900,000 per year, more than compensating for the additional costs of managing and maintaining the entire campus. However, pending the refurbishment of vacant space and the identification of suitable partner organizations the Centre would not be in a position to absorb the incremental campus operating costs of some €400,000 should scenario 3 be the preferred approach without increasing the financial risk. The presence of Campus partners would probably lead to increased use of hotel capacity contributing to further cost offsets but due to the uncertainty of this element, no provision has been incorporated in the estimates.
- 32.** In the event that scenario 3 was considered to be the preferred approach, if cost-offsetting partnerships did not eventuate within two to three years, consideration would need to be given to reverting to scenario 2.
- 33.** Retention of the full campus would have a number of benefits to the Centre. It would maintain a key characteristic of ITC campus events i.e., the campus environment with its openness, green spaces, secure setting and full-service venue. It would respect the initial concept of an international training centre on a single site as jointly conceived by the ILO and the host authorities in the 1960s. In addition, it would:
- a. maintain the ITCILO identity of the site whilst not limiting the possibility for sister UN or other partners to be accommodated on campus;
 - b. provide flexibility for growth in face-to-face events to meet any renewed demand;
 - c. ensure single campus management of all spaces with internal and exterior spaces remaining under the lead responsibility of the Centre providing more independent control;
 - d. optimise the use of all facilities through sharing of accommodation and classroom space by all users;
 - e. avoid certain costs associated with sub-division e.g., security and perimeter fencing;
 - f. reduce potential security risks from abandoned buildings or incompatible occupancy;
 - g. minimize the impact on third party service providers once the campus was fully occupied.
- 34.** Table 6 summarises the financial elements of each of the three campus occupancy scenarios and the Board may wish to provide guidance as to which of the three scenarios for campus occupancy should be pursued.

Table 6: Summary of key financial parameters for each campus scenario

Campus Options (1)									
	Scenario 1			Scenario 2			Scenario 3		
	ITC Campus	Other	Total	ITC Campus	Other	Total	ITC Campus	Other	Total
	(euro)								
Reduction in operating costs	1,560,000		1,560,000	800,000		800,000	0		-
Lost contribution to fixed costs from lower hotel occupancy	-1,720,000		-1,720,000	-700,000		-700,000	-700,000		-700,000
Potential exploitation of hotel	0		0	115,000		115,000	115,000		115,000
Cost-sharing from northern campus space	0		0	0		0	900,000		900,000
Net savings/(deficit)	-160,000	0	-160,000	215,000	0	215,000	315,000	0	315,000
Capital investment									
Refurbishment	4,350,000	19,500,000	23,850,000	6,500,000	13,000,000	19,500,000	6,500,000	13,000,000	19,500,000
Utilities infrastructure	300,000	700,000	1,000,000	600,000	400,000	1,000,000	600,000	400,000	1,000,000
Security	250,000		250,000	100,000		100,000	-		-
Of which ITC contribution (2)	1,225,000			1,800,000			1,775,000		

(1) All scenarios include cost savings and revenue potential following completion of renovation activities.
(2) Complementary costs including in-kind, related to design, project management and equipment.

III. Human resource implications

New ways of working

35. The proposed operational model would require new ways of working and changes in the structure, job profiling and the skills set of the Centre’s work force. The implementation of any changes will build on lessons learned navigating the pandemic in 2020 and be guided by objectives of efficiency and cost effectiveness, respecting the values of the organisation in contributing to the delivery of its goals and mandate. The new operational model will impact the functions of all staff to some extent. Currently there are 176 staff positions as illustrated in Tables 7 and 8.

Table 7: Total positions

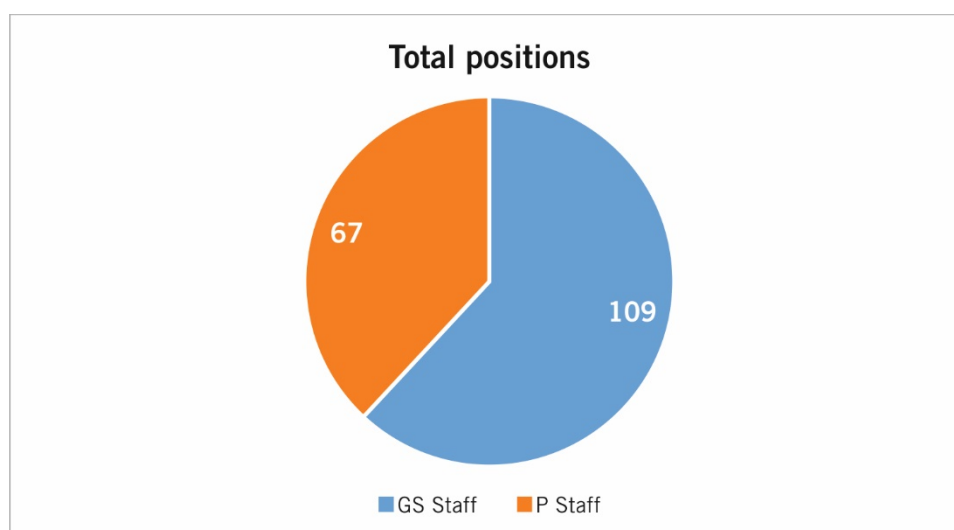


Table 8: Position distribution



36. Based on a preliminary analysis of the Centre’s current human resources structure, it appears that the changes in skills, profiles and structure could be achieved through a phased approach avoiding forced redundancies. It is anticipated that the total number of

full-time equivalent staff would remain at a similar level although there would be changes in the staffing profile and in the distribution of staff between support functions and training delivery roles. The reprofiling of roles will be principally in the Training department as there will be a reduced demand for functions supporting on-campus F2F activities but greater needs to support delivery of training activities through distance learning platforms and other digital tools. New IT skills will be required as well as new approaches to the design and delivery of the material.

- 37.** The Centre currently has 24 vacancies and over the next five years, ten staff will reach the mandatory age of retirement (comprising six in the professional and higher grades, and four in the General Service category). Other long-serving staff may also choose to retire early prior to their mandatory date of retirement. The current and forthcoming vacancies provide opportunities to accelerate the implementation of changes in support of the new model and to maintain agility to adapt expertise and profiles to meet evolving needs.
- 38.** A functional review of existing roles and a temporary redistribution of selected roles began in 2020, particularly within the Training department, in order to successfully address the need to deliver the evolving range of activities in the context of the pandemic. Based on this experience, the review and implementation of related changes will continue throughout 2021. Almost all job descriptions will require updating in some form to reflect the new tools and methods of work under the new operational model. The new operational model will impact the Services departments as well as the Training Department. Generally, the changes will involve a redefinition of roles and responsibilities rather than a fundamental change to any job description with an increased focus on digital competencies and the new delivery modalities.
- 39.** The initial review by Management has identified that approximately 12 per cent of positions in the Support Services could be potentially available for re-profiling and transfer into the Training Department to expand delivery capacity and ensure cost effectiveness. Certain of these positions are vacant, others would be transferred following retraining of incumbent staff and others would occur upon mutually agreed redeployment or retirement of the incumbent. In addition, some support functions previously performed by staff in the Training Department have been transferred to Services and absorbed within existing staffing levels. The net benefit of these transfers would ultimately be a 13% reduction in the number of positions in support functions and a corresponding cost-effective increase in direct service delivery capacity. These measures have and, as further opportunities are identified, will reinforce the Training activities portfolio, including the Turin School of Development. The successful results of the current biennium have demonstrated the need for this realignment which will further enhance the Centre's ability to deliver an expanded level of activities under the proposed operational model.
- 40.** Throughout this phased approach, the Centre's current skills set will be continually assessed against the needs of the new model. As necessary, professional expertise will be retained to ensure that all the Centre's technical programmes are appropriately equipped. Changes to the Centre's organisational design will be considered to ensure optimal use of all existing resources throughout the Centre's delivery cycle and that the professional staff profiles and structure are aligned to the ILO's mandate for the implementation of the Centenary Declaration and to promote Future of Work Transitions. General service and support staff resources will be assigned to ensure the right balance between the new forms of digital learning and the traditional F2F approach, as well as the necessary operational, IT and facilities support.

-
- 41.** The Centre will launch a dedicated staff development programme, within the current budgetary allocations for staff training and development, to nurture a culture of innovation and learning and strengthen in-house capacity in the design and delivery of digital learning and collaboration solutions. The programme will build on the outcomes of the staff development activities on e-learning carried out in 2020, and will combine in-service training, self-learning and coaching support in the use of advanced digital learning technology, such as augmented virtual reality.
 - 42.** Prudent management of existing vacancies and upcoming retirements, together with opportunities for efficiency gains through process reviews and automation as the Centre transitions, will enable the redeployment of staff resources from support to core activities and towards expanded service delivery. The Centre's human resources management strategy will be reviewed in the context of the next strategic plan to address the needs of the new model, improve human resources organizational agility and support the change management process. As appropriate, vacant higher-level positions will be considered for re-profiling into mid-level technical roles to widen the internal pool of technical expertise and increase outreach and delivery. As part of the phased implementation of the new model, certain vacant general service positions will be reprofiled as professional positions to better support the Centre's evolving needs and decrease the ratio of general service to professional staff. Key HR management areas such as job design, staff development and performance management will be aligned with the needs of the new model to ensure that the Centre's staff are provided with the necessary support to address these changes and that their efforts in this respect are duly recognized.
 - 43.** Following guidance from the Board on the proposed new operational model, these changes will be implemented by Centre Management in consultation with staff representatives and in accordance with the ILO Guidelines on Managing Change and Restructuring processes and the Centre's Staff Regulations, HR policies and procedures. This process will include seeking opportunities to further align the Centre's human resources policies with the ILO's in order to improve internal mobility and increase career development opportunities for staff.

IV. Financial implications

Improved operational results

- 44.** The forecasted financial implications of the proposed operational model are presented in Table 9, prepared in the format historically used in the Centre's financial reports and budgets. This data is not intended as a proposed budget but does provide the Board with a basis for evaluating the financial dimension of the new model. For comparison purposes, the annualised results for the last complete financial period, 2018-19, are provided as a baseline, as are the annualised forecasted results for 2020-21. It should be stressed that the forecasted 2020-21 results include some aspects that were unique due to the abrupt and significantly shift away from F2F activities in Turin, the high level of distance learning and advisory services, and the freezing of some expenditure due to ongoing uncertainty during the biennium. Caution is advised in using 2020-21 as the benchmark as the freezing of expenditure would not be sustainable in the future and a gradual return of some F2F should be expected. .
- 45.** To facilitate the comparison of results and forecasted results, biennial amounts have been averaged to remove the uneven activity level between years. The three right-hand columns present financial forecasts for the Centre under the proposed operational model. Column 3 is based upon the Centre retaining responsibility for the full campus in its existing state. Column 4 is based on the reduced campus size once renovation work has been completed. Column 5 is based upon a fully renovated campus with additional partners occupying the northern section of the campus.

Table 9: Financial comparisons

(Euro '000)					
	1 Forecasted annualised result 2020-21	2 2018-19 Annualised Results BASELINE	Proposed operational model Forecasted results		
			3 Current campus size and occupancy	4 Scenario 2 - Campus resizing	5 Scenario 3 - Campus resizing
REVENUE					
Voluntary contributions	12,048	11,685	12,004	12,004	12,004
Training, advisory and media production revenue	20,670	27,029	24,350	24,350	24,350
Other revenue	1,068	1,451	1,050	1,165	2,065
Sub-total	33,785	40,165	37,404	37,519	38,419
FIXED EXPENDITURE					
Regular budget staff costs	16,141	15,315	15,898	15,898	15,898
Campus-related expenditure	2,718	3,014	2,800	2,400	2,800
Other fixed expenditure	3,070	3,827	3,597	3,914	3,914
Sub-total	21,929	22,156	22,295	22,212	22,612
VARIABLE EXPENDITURE					
Variable budget staff costs	2,452	2,131	2,060	2,060	2,060
Expenditure relating to activities including project staff	7,345	14,072	10,950	10,950	10,950
Other costs relating to misc. revenue	125	262	210	210	210
Sub-total	9,921	16,465	13,220	13,220	13,220
TOTAL EXPENDITURE	31,849	38,621	35,515	35,432	35,832
OPERATING SURPLUS	1,936	1,544	1,889	2,087	2,587
INSTITUTIONAL INVESTMENTS	0	0	1,200	1,200	1,200
NET SURPLUS	1,936	1,544	689	887	1,387

-
46. The table presents an improved operating result under the new model when compared with the annualised results of 2018-19. The achievement of these results is based on assumptions described in earlier section of this paper and in the explanatory text below. As renovations of the campus are completed and the Centre reduces its own direct occupancy of space, the financial performance is expected to improve. As presented in the column 5, a further improvement would be possible with the installation of partner organisations on campus who would share in operational costs and expand use of hotel and other facilities.
47. In addition to the increased outreach derived from the new operational model, the improved forecasted financial performance would provide critically needed resources for institutional investments to ensure the sustainability of the Centre in the medium to long-term. More details on this aspect are provided below.

Revenue

Voluntary contributions

48. The Board has frequently called for increased voluntary contributions and the positive impact that this source of revenue brings has been demonstrated throughout the history of the Centre. The contributions from the existing partners, the Governments of Italy, Portugal, the City of Turin; the Piedmont Region and the ILO are therefore assumed to continue for the foreseeable future. In collaboration with Board representatives, efforts will continue to secure additional voluntary contributions which would enable the Centre to review its service offering and pricing, but based on historical results and the pressure on government budgets to finance domestic pandemic responses, no growth in this source of revenue has been assumed at this stage.

Training revenue

49. Revenue assumptions are based upon the portfolio of services outlined in the first section of this document. Based on observed trends in demand and capacities it is assumed that:
- two-thirds of the activities will relate to training activities with the balance being non-training services such as capacity development services, provision of on-line conference facilities, development of online learning platforms etc.;
 - of the training activities two-thirds will be online learning while the balance will be F2F training;
 - of the F2F training, one-half of activities will take place on the Turin campus while the other half will take place in the field (mostly as tailored activities);
 - the total hotel bed nights utilised per year would be some 27,000.
50. Revenue in absolute terms is lower under the new model due to revenue from distance learning not requiring the recovery of variable costs such as travel and accommodation. Notwithstanding the decrease in revenue and the corresponding reduction in costs, the outreach of the Centre as described in the first section of the paper is expected to remain at more than double the level achieved in 2018-9.

Other revenue

51. This category includes revenue from various non-training sources, including rental of training and hotel facilities to third parties, the partial recovery of occupancy costs from UNICRI and UNSSC and investment income. The assumptions relating to increased use of spare hotel capacity and new campus partners in a reconfigured campus have been included in the appropriate columns. Additional revenue from ad-hoc use of campus

facilities has not been assumed, although this source of supplementary revenue will continue to be pursued.

Expenditure

Staff costs

- 52.** The financial envelope for staff costs is expected to remain at the same level as approved for the 2020-21 budget. A provision for slippage has been included to allow comparison with prior periods. As explained in the section on Human Resource implications it is expected that there will be a redistribution of roles within the same financial envelope in order to deliver the evolving service portfolio.

Campus related expenditure

- 53.** The reduced expenditure in scenario 2 reflects the smaller campus size. The increase under scenario 3 reflects the costs of full campus occupancy and higher depreciation charges with a fully renovated campus, offset by the cost sharing reported in other revenue.

Variable expenditure

- 54.** Estimates in this category are based on the expected service mix and hotel occupancy for ITC related purposes. As distance learning does not include the same level of direct costs (in particular travel, accommodation and sustenance) variable expenditure is significantly reduced under the new operational model.

Institutional investments

- 55.** The programme and budgets of the Centre have always focussed on the short-term operational needs of the Centre with little budgetary capacity available to systematically provide for:
- the long-term needs of maintaining those components of the infrastructure that are the responsibility of the Centre;
 - sustainable funding of innovation in training delivery, new course development and other initiatives;
 - periodic investments in information technology hardware, software and development costs;
 - a stable source of funding to support fellowships;
 - adequate financing of accumulating long-term liabilities (reliance being placed on a short-term pay-as-you-go approach).
- 56.** It has only been through challenging negotiations that limited amounts of funds have been made available to partially address these needs from unanticipated surpluses at the end of each financial period.
- 57.** Whilst the current document does not purport to be a programme and budget proposal, it is opportune when reviewing the implications of the revised operational model to consider not only direct financial implications, but also other elements that would contribute to ensuring the future sustainability of the Centre.
- 58.** It is proposed that future programme and budgets include proposals for the systematic funding of institutional investments to a range of reserve funds earmarked for specific purposes (Table 10 refers). The use of funds transferred to these reserves would not be

restricted to the current financial period providing an opportunity to accumulate funds over longer time frames to meet less regular expenditure without impacting ongoing operations. Most of the reserves set out in Table 10 will be familiar to the Board due to past ad-hoc transfers. However, it would be prudent to plan for these needs and to ensure that sufficient funding exists as and when the needs materialize. Consideration can also be given to the establishment of a Fellowship Fund that would be funded through specific provisions in future budgets. Once established, this fund could be drawn upon to supplement funding from other sources and ensure broader participation in core ITC training offerings by constituents enhancing the tripartite character of the Centre's activities. Once again, such an approach would avoid ad-hoc funding should surpluses arise in future financial periods.

Table 10: Proposed institutional investments

Reserve	Purpose	Annual amount (euros)
Campus improvement fund	To meet cost-shared capital investment needs in campus refurbishment not covered by ordinary maintenance budgets or host country complementary contributions.	250,000
Innovation fund	To promote innovation in learning and knowledge sharing tools, develop new training activities in response to emerging ILO policies and invest in other innovative actions deemed beneficial to the Centre.	200,000
ICTS Development fund	To provide for periodic investments in ICT infrastructure and software renewal which are not a part of normal operating expenses.	150,000
Fellowship fund	To establish a reserve to cost-share participation in Centre activities by constituents.	600,000

59. The proposals to fund such reserves would be presented as an additional component of the Programme and Budget. At the end of the financial period, they would be subject to a pro-rated adjustment should the surplus from operations be insufficient to ensure their full funding. Any required amendments to the Financial Regulations together with detailed procedures could be presented to the Board at its 84th session (October 2021).

Improved disclosure of liabilities

60. In addition, certain liabilities relating to Centre operations, whilst disclosed within the notes to the audited financial statements, have not previously been included in the Centre's Statement of Financial Performance and Statement of Financial Position. These liabilities relate to separation entitlements and after service health insurance (ASHI). Under a longstanding arrangement, the cost of the employer's share of after service health care premiums (€804,000 for 2020) has been covered by the ILO. In order to ensure greater transparency in the financial statements, with effect from 2021, the expenditure will be recognized together with a matching contribution from the ILO. There will be no overall impact on the Centre's net operating result, but a more accurate reflection of revenue and expenditure will be presented, as these expenditures relate to the Centre's retirees.

61. Since 1980, the entitlements accruing to staff of the Centre and payable on separation have been charged to the ILO's Terminal Benefit Fund. The Centre contributes to the fund managed by the ILO to cover this expenditure as it falls due but has not been in a position to fund the full value of this entitlement for at least 40 years. As at 31 December 2020, the audited financial statements disclose a liability of €10.4 million of which only some €2.3 million has been funded by the Centre. It is proposed that the Board agree in

principle that up to one-half of any future surpluses, after providing fully for the 4 items above, be applied to complement the funding of this liability to ensure entitlements accrued by staff of the Centre are fully covered.

Conclusion

- 62.** The proposed new operational model outlined in the first section of this document, once fully implemented on a renovated and resized campus would significantly increase the outreach of the Centre in delivering its mandate, reaching many more constituents with a wider and more accessible offering of training services. It would support a more sustainable financial structure building reserves for identified future needs and unforeseen events. Furthermore, in the mid-term the opportunity should exist to review the reliance on voluntary contributions. As the new model evolves the Board will have the opportunity to review all of these proposed measures to ensure they remain appropriate.
- 63.** Following guidance from the Board at this session, the Centre will develop an implementation plan in consultation, as appropriate, with the host authorities and staff representatives. The plan and progress towards its implementation will be reported to the Board at its next session and be incorporated in the Strategic Plan for 2022-25 and the Programme and Budget Proposals for 2022-23.

Submitted for discussion and guidance.

Turin, May 2021

