

10.7. North Sydney Olympic Pool Redevelopment - Project Update

AUTHOR	Gary Parsons, Director Open Space & Infrastructure
ATTACHMENTS	Nil
CSP LINK	2. Our Built Infrastructure 2.1 Infrastructure and assets meet diverse community needs

PURPOSE:

The purpose of this report is to provide an update on the redevelopment of North Sydney Olympic Pool, including expected increases in cost and further time delays.

EXECUTIVE SUMMARY:

- Construction work on the North Sydney Olympic Pool is delayed due to design and construction issues that have been encountered with the structural steel roof framing over the 25m indoor pool, resulting in the disassembly of this work.
- The extent of the delay is currently being assessed and it is anticipated that this will be reported to the next meeting of the Council, however it is estimated the delay could extend completion of construction to late 2024/early 2025.
- The current construction contract value is \$63.13m, which includes approved construction contract variations of \$9.6m.
- Considerable progress has been made in assessing outstanding claims following the engagement of additional project management and specialist consultants, with 70 outstanding claims now having been assessed for claims between March 2021 and December 2023.
- While considerable progress has been made, a high quantum of variations and extensions of time remain to be agreed and both parties are working within the provisions of the contract to resolve these matters.
- Confirmation of final project forecasts continues, as outstanding claims continue to be resolved, however it is expected a further \$20M will be required this fiscal year.
- Given Council's current financial position, loan funding will be required.

RECOMMENDATION:

1. THAT the meeting be closed to the public in accordance with Section 10A(2) (c) information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business and because consideration of the matter in open Council would be, on balance, contrary to the public interest as it would affect Council's ability to obtain value for money services.
(g) advice concerning litigation, or advice that would otherwise be privileged from

production in legal proceedings on the grounds of legal professional privilege and because consideration of the matter in open Council would be, on balance, contrary to the public interest as it would affect Council's ability to manage legal matters effectively and in the best interests of the community.

2. THAT the confidential report and related attachments be treated as confidential and remain confidential unless Council determines otherwise.

3. THAT Council notes the contents of this report, which provides an update in relation to the North Sydney Olympic Pool redevelopment project.

4. THAT Council provides notification to the Office of Local Government (OLG) of the expected cost increases in accordance with OLG Capital Expenditure Guidelines.

5. THAT Council increase the project budget by \$20M to be funded from additional loan borrowings.

6. THAT Council delegate authority to the General Manager to negotiate and execute a loan agreement for \$20M based upon a 20-year loan term.

7. THAT in accordance with Section 230 of The Local Government (General) Regulation, the General Manager notify the Office of Local Government of the approved borrowing.

Background

Construction of the North Sydney Olympic Pool Redevelopment project commenced in March 2021.

The last update report regarding the project was provided to Council at its meeting of 27 November 2023. Councillors have also been provided with an update on the project at formal briefing sessions held on the 4 December 2023, 13 December 2023, and 17 January 2024. Individual briefings have also been held for those Councillors unable to attend on these dates. Councillors were also provided the opportunity to view confidential documents as requested.

Report

On-site Progress to Date

Works onsite have been delayed due to ongoing issues with the structural steel over the 25m indoor pool and the recent Christmas shutdown.

Key progress in the reporting period:

- 50m Pool tiling complete.
- Level 2 Glazing to Gym facade complete.
- Leisure Pool Structure 80% complete.
- Lift 1 installation complete
- Piling to south-east complete (Ripples Cafe)

Project Timeframe

Progress against the program is being monitored on an ongoing basis through formal site inspections attended by representatives from ICON, Council, and Council's external Programmer.

As previously reported to the November meeting of Council design and construction issues have been encountered with the structural steel roof framing over the 25m indoor pool, resulting in the disassembly of this work. The structural steel had to be removed and could not be reused, which has caused delays. The extent of this delay is currently being assessed and it is anticipated that this will be reported to the next meeting of the Council, however it is estimated the delay could extend completion of construction to late 2024/early 2025.

Council staff, project managers, and Council's construction contractor are working on strategies to expedite the time between practical completion and pool opening.

Project Budget

The total allocated budget for the redevelopment of North Sydney Olympic pool is \$85.87m. Council reset this budget in June 2023 to allow for these costs, along with other unbudgeted

project costs such as insurance, probity, equipment, technology, long service levies, and so on.

The current agreed contract value for construction is \$63.13m, which includes \$9.6m in contract variations to date.

Improvements have continued to be made to project management and claims assessment, with additional project management resources, an independent programmer, and quantity surveyors engaged at the start of the fiscal year to support the project. This expertise is critical in a project of this size, however, was not originally budgeted.

In total, 136 Extension of Time claims have been received for the project, with over half the assessments remaining outstanding on engagement of additional project resources.

With the support of external project managers and specialist consultants, Council has been able to complete the assessment of 70 outstanding Extension of Time claims.

Since the last report to Council, a total of \$4,133,248 in variations have been approved. These approved variations relate to claims made between March 2021 and December 2023. A detailed breakdown of all contract variations has been included with the attached confidential report.

The project has more variations than expected for this type of project due to latent conditions, COVID, ongoing design, and construction-related issues.

While considerable progress has been made, a high quantum of variations and extensions of time remain to be agreed and both parties are working within the provisions of the contract to resolve these matters. These claims relate to cost and delay regarding design changes following the award of the construction tender. The attached confidential report provides detailed information and recommendations in relation to this matter.

The forecast cost to completion for the project continues to be under review, however it is anticipated that an additional \$20M will be required this fiscal year. Given Councils' current financial position, loan funding will be required.

Based upon a \$20M loan at current interest rates of approximately 5.07% for a 10-year loan term, total repayments would be \$2,574,376 per annum, with interest commencing at \$994,222 per annum.

Based upon a \$20M loan at current interest rates of approximately 5.58% for a 20-year loan term, total repayments would be \$1,672,244, with interest commencing at \$1,108,240.

Progress Photos



Aerial View – Full Site 13/12/23



Aerial View – 25m Pool Hall and Grandstands 13/12/23



Aerial View – 50m Pool East 13/12/23



Level 2 Gym Area Glazing 06/11/23



Aerial View – Eastern Stair Tower 13/12/23