

10.14.North Sydney Olympic Pool Redevelopment Update

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ENDORSED BY	Therese Cole, Chief Executive Officer
ATTACHMENTS	1. CONFIDENTIAL REDACTED - NSOP Redevelopment Report 25 Nov 2024 Confidential Attachment [10.14.1 - 4 pages]
CSP LINK	2. Our Built Infrastructure 2.1 Infrastructure and assets meet diverse community needs

PURPOSE:

The purpose of this report is to provide Council with an update on the North Sydney Olympic Pool redevelopment project.

EXECUTIVE SUMMARY:

- The reinstallation of the structural steel framing for roof over the 25-metre indoor pool hall roof is complete and is now being prepared for roof sheeting.
- The current revised Contractual date for Practical Completion of the project is 11 July 2024, however Council's contractor ICON are now reporting a Practical Completion date of 23 May 2025. The major reason for the difference between these dates is the delay associated with the structural steel over the roof of the 25m indoor pool, which remains in dispute
- The project has been the subject of 1,600 Requests for Information, 149 Extension of Time submissions. and 379 Variations. Council's Project Management team continues to respond and address these submissions, however ongoing design and construction related issue continue to emerge.
- The current construction contract value is \$91.5m as at the end of September 2024, inclusive of all agreed variations outlined within this report. There are a number of variations that are currently being assessed and Council is aware of a number of variations that are still to be submitted.
- Current forecast project costs total \$122.2 million. A review of available budgets has been undertaken and it is recommended that additional funding of \$17,203,322 is made available to complete this project. This does not take into account any legal recoveries that may be forthcoming on the project.

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 the Council determines otherwise.
- 3. THAT** Council note that an additional \$17.2m has been included within the September Quarterly Budget Review to complete the redevelopment of the North Sydney Olympic Pool.
- 4. THAT** Council approve the additional scope including fit out of the kiosk and gelato bar to improve competition and potential returns for the facility.
- 4. THAT** Council note the contents of this report in relation to the redevelopment of the North Sydney Olympic Pool.

Background

Construction on the redevelopment of the North Sydney Olympic Pool commenced in March 2021. The last update regarding this project was provided to the Council meeting of 28 October 2024.

Report

On-site Progress

The reinstallation of the structural steel roof over the 25-metre indoor pool hall roof is now complete, and roofing purlins are being installed to receive roof sheeting, prior to the installation of ceiling linings.

Construction activity across other areas of the site is continuing with fit out works on Levels 1 and 2 progressing and floor and wall tiling of the amenities has commenced on level 1. Pool floodlighting has been installed, and finishing works on the concourse surrounding the main pool are continuing.

Contract

The current revised contractual date for Practical Completion of the project is 11 July 2024, however Council's contractor ICON are reporting a Practical Completion date of 23 May 2025. The major reason for the difference between these dates is the delay associated with the structural steel over the roof of the 25m indoor pool, which is currently the subject of a formal Notice of Dispute between the two parties. The contractor's Practical Completion date is based upon their program assessment, and not a change to the contractual date.

The contract requires the contractor to develop mitigation measures to reduce delays. In addition, Council's project managers have proactively proposed potential mitigation measures. While it is hoped that the practical completion date can be brought forward, it is important that the financial risks are taken into consideration within the budget.

A total of 79 Requests for Information (RFIs) were submitted in September 2024, which is almost double the number received in August 2024. The project has been the subject of over 1,600 RFIs to date. Council's Project Management team continues to receive and respond to RFIs, which are related to latent conditions, design, and contractual issues. Despite the advanced stage of project, the high rate of RFIs is continuing.

The project has been the subject of 149 formal Extension of Time claims, which have all been responded to by Council's Project Management team. However, Council has received six Notices of Delay which could result in further Extension of Time Claims.

The structural steel over the 25m indoor pool, which includes a significant delay claim related to design and construction issues, is still the subject of a Notice of Dispute.

Council has received 379 variation claims to date. Council’s Project Management team have assessed and closed 331 of these and are currently assessing an additional 33, which are detailed in the confidential attachment to this report. Council is also aware of a further 99 possible variation claims that are yet to be submitted. Since the October 2024 report to Council, five variations have been assessed and approved with a total value of \$42,993. Details of these variations are provided in the table below.

The Revised Contract Sum for the project at the end of September 2024 is \$91.5m.

Variation Number	Description	Assessed Amount
315	Structural Steel Column to Creche (change required to design)	Withdrawn
397	Level 1 Garbage Chute Fire Rating (not specified at tender)	\$10,375.36
411	Existing Heritage Brickwork Structural Remediation (Latent condition not identified at time of tender)	\$26,393.67
422	Granolithic Topping Southern Boundary (Change to design)	Not Proceeding
456	Additional scaffolding required to Stair 03 (Principal request to facilitate access to Council-owned premises)	\$6,223.98
Total Value of Assessed & Agreed Variations (01/09/24 to 30/09/24)		\$42,993.01

Café Design and Fitout Costs

The NSOP redevelopment proposes a café and gelato bar on level 3 and level 2 of the facility, which are to be leased by a commercial operator. No costs associated with the fitout of these spaces were included within the original project budget, as it was assumed that the operators would fitout these spaces. It is also noted that the fitout of these spaces require Development Approval.

Advice received through a recent Expression of Interest for these spaces has indicated that the Council should obtain Development Consent and fit out these spaces, which would make the spaces more attractive for commercial operators to lease. Quantity Surveyors have advised that the costs to design and fit out these spaces would be in the order of \$250,000. This amount is accommodated for in the additional funding requested.

Total Project Budget

As outlined in this report, many variations due to design, construction, and latent conditions continue to be submitted. Council is also incurring costs associated with the ongoing management of the project due to delays arising from other matters such as the structural steel over the 25m indoor pool.

Part of these costs will potentially be recovered through future legal proceedings; however, the legal process is likely to take significant time. Meanwhile, additional costs will be incurred within this financial year and cashflow will be required. It is recommended that an additional \$17.2m be provided to ensure cashflow to complete the project.

Current forecast project costs total \$122.2 million.

A further breakdown of the anticipated additional expenditure is included in the confidential attachment to this report, and the proposed funding strategy is provided within the September Quarterly Budget Review.