6.1 LOFTUS RECREATION CENTRE - REVIEW OF ANNUAL LEASE PAYMENTS FOR FY25/26 BY BELGRAVIA HEALTH & LEISURE GROUP PTY LTD

Attachments:
1. **Belgravia letter dated 6 November 2025 - Confidential**
2. **Belgravia Financial Statements FY20-21 and FY22-23 - Confidential**
3. **Belgravia FY24 and FY25 P&L Results - Confidential**

RECOMMENDATION:

That Council

1. **APPROVES a variation of lease with Belgravia Health & Leisure Group Pty Ltd (ACN 005 087 463) located at portion of Lot 501 (99) Loftus Street, Leederville as follows:**

   1.1 Reduction of rent for FY2025/2026 by 50% from 1 July 2025 to 30 June 2026 in the amount of $96,873.12; and

2. **Subject to satisfactory negotiations carried out by the Chief Executive Officer, AUTHORISES the Mayor and CEO to execute the Deed of Variation of Lease in accordance with the Execution of Documents Policy.**

PURPOSE OF REPORT:

For Council to consider reviewing the rent for FY25/26 and varying the lease with Belgravia Health and Leisure Group Pty Ltd (Belgravia) (ACN 005 087 463) in respect of Loftus Recreation Centre.

DELEGATION:

Delegation 2.2.18 – Disposing of Property by Leases and Licences of Council's adopted register of Delegations, Authorisations and Appointments only applies to minor variations of category 3 leases. Reduction of rent is not considered a minor variation.

BACKGROUND:

Lease and Contract

Belgravia leases part of the Loftus Recreation Centre at Lot 501 (99) Loftus Street, Leederville pursuant to a Lease (Lease) between Belgravia and the City. At the same time as the Lease was entered into, the City and Belgravia executed a Deed of Contract (Contract). The Contract runs concurrently with the Lease and governs the operation and management of the Loftus Recreation Centre by Belgravia.

The Loftus Recreation Centre provides multi-court sports and fitness programs to the Vincent community. The Lease and Contract with Belgravia commenced on 1 January 2007. Pursuant to the terms of the Contract, Belgravia would manage Loftus Recreation Centre following the redevelopment of the sports facility initially for 10 years plus another 10 years. At its Ordinary Council Meeting on 26 July 2022, Council approved and extension to Belgravia of the Lease and Contract until 31 December 2027.

The Contract includes a profit share arrangement and a loan repayment provision relating to the repayment by Belgravia of the City's $3 million loan which funded the redevelopment of the Loftus Recreation Centre. Pursuant to the Contract, Belgravia is required to make loan repayments to the City and the City is required to use the loan repayments to pay off the principal and interest owing by the City under the loan.

Financial assistance

Council has approved the following financial assistance to Belgravia to date:

Year	Description	Amount
30 June 2020	COVID -19 deferred payments	$ 64,900.72
26 July 2022	Rental credit equal to 50% of annual land tax amount (Jan 2022 – June 2023)	$ 39,408.98
22 October 2024	Reduction of FY24/25 rent by 50%	$ 94,143.00
	Total	$198,452.70

In May 2024, the WA State Manager for Belgravia met with the City to discuss the ongoing financial challenges at Loftus Recreation Centre. He indicated that since the period Pre-Covid they had observed a consistent downward trend (except for the COVID-19 pandemic when Jobkeeper payments were received) of the venue's financial performance, which they considered was not sustainable for Belgravia.

Belgravia provided their audited financial statement showing the increasing losses since the FY2020/21 financial year and proposed a waiver of the monthly rent and suspension of the Covid deferred rent repayments to allow them to reduce their annual deficit to less than $100K for the remainder of the Lease and Contract term.

Council approved the use of the Loftus Recreation Centre Reserve Fund at the Mid-Year Budget Review FY2023/24 to make several enhancements to the facility. These improvements included the purchase of pilates machines, refurbishment of an area for pilates classes, upgrade of gym cardio equipment and improvements to the gym layout. These upgrades were expected to enhance the facility's appeal and marketability, potentially increasing patronage and revenue to Belgravia. The new pilates area was opened in September 2024.

On 22 October 2024, Council approved their request for a rent reduction and Covid-19 deferred repayments for the FY24/25 with a review to be conducted before any further reduction was considered.

DETAILS:

Request by Belgravia

In early 2025, management at the Loftus Recreation Centre underwent significant internal change following the resignation of the Facility Manager. A temporary manager was appointed while Belgravia undertook a transition to a new operations structure. This process took several months and is now complete, with a new WA State Manager also commencing.

The new State Manager has since met with the City to outline the ongoing financial challenges at Loftus Recreation Centre. He advised that although performance has improved, the centre's financial position remains unsustainable for Belgravia without the continuation of a rent reduction arrangement. The reasons are outlined in Belgravia's letter to the City dated 6 November 2025 attached as **Attachment 1**.

The initiatives undertaken by Belgravia in FY24/25 to improve the operational and financial performance of the centre include:

- Courts strategy – enhancing court hire by attracting new sports and user groups and enhancing court sports program.
- Enhance membership by targeting key market segments and expanding pilates programme.
- Enhance room hire by ensuring group optimisation.
- Café operations – transitioned management of the café in-house to enhance service quality and improve financial performance.
- Cost control measures and labour efficiencies.

Belgravia has provided audited financial statements demonstrating a modest improvement in losses compared to the previous reporting period. The audited information for FY20/21 to FY24/25 are included at **Attachments 2 and 3**.

Belgravia is requesting that the current 50% rent reduction be extended for the 2025/26 financial year, with a further review to occur in May 2026. Their aim is to reduce the annual operating deficit to below $100,000.

Current payments to the City

The table below shows that the current annual payments by Belgravia amount to approximately $674,000 under the Lease and Contract depending on Outgoings which is a variable fee. This does not include the 50% rent reduction.

	Monthly (November 2025)	Annual
Rent (lease fee)	$16,145.51	$193,746.12
Covid deferred payments	$1,248.09	$14,977.08
Contribution to Reserve Fund	$6,604.99	$79,259.88
Outgoings (variable fee)	$8,858.75	$106,305.00
Loan Servicing	$23,332.00	$279,984.00
TOTAL Monthly payments (inc GST)	**$55,399.98**	**$674,272.08**

CONSULTATION/ADVERTISING:

Administration's consultation with Belgravia has resulted in the City making some enhancements to the facility at Loftus Recreation Centre and Belgravia adjusting their operations, which is aimed at increasing Belgravia's membership, reducing expenditure and generating additional revenue.

Organisation Implementation

Organisations lead engagement and seek input, shape the policies, projects and services for which they are responsible. This is a familiar and traditional approach to policy development, project management and service delivery.

Tension: People feel forced leading to an unresponsive process.

Mitigation: Increasing the level of influence, and implementing a transparent, robust process.

LEGAL/POLICY:

Belgravia is a Category 3 tenant under the Property Management Framework. Delegation 2.2.18 of the City's Delegated Authority Register does not extend to variation of lease (except for minor variations) under category 3 which requires a specific resolution of Council.

RISK MANAGEMENT IMPLICATIONS

Low: It is low risk for Council to reduce the rent as the rent received will still cover the outgoings for the facility and the required loan payments.

RISK CATEGORY	RISK APPETITE / TOLERANCE STATEMENT	DESCRIPTOR /CLARIFICATION
Financially Volatile Decisions	The City has a *low appetite* for risk in decision making that impacts financial volatility and sustainability	These are for those decisions not specifically considered below: Based on risk consequence criteria - Risk of loss more than $100,000 (0.035% - 0.17% of operating budget)
Decisions causing Budget Deficiency	The City has a *low tolerance* for decisions or actions that result in material deficiency in achievement of budgeted: Surplus Balance sheet ratios Profit and loss ratios Rate of return on investments	Based on risk consequence criteria - Risk of loss or missing budget more than $100,000 (0.035% - 0.17% of operating budget)

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2022-2032*:

Connected and Healthy Community

Our community facilities and spaces are well known and well used.

Thriving Places

Efficiently managed and maintained City assets in the public realm.

Innovative and Accountable

We deliver our services, projects and programs in the most inclusive, efficient, effective and sustainable way possible.

SUSTAINABILITY IMPLICATIONS:

This does not contribute to any environmental sustainability outcomes. This action/activity is environmentally neutral.

PUBLIC HEALTH IMPLICATIONS:

This is in keeping with the following priority health outcomes of the City's *Public Health Plan 2020-2025*:
Increased mental health and wellbeing

FINANCIAL/BUDGET IMPLICATIONS:

A reduction in revenue for FY 2025/26 of $8,072.76 per month totalling $96,873.12.

COMMENTS:

The recent change of management is showing promising results. With ongoing facility renewals and upgrades Administration is confident the changes should allow Belgravia to affect positive changes in the operations of the Loftus Recreation Centre.

As mentioned in previous reports the ongoing popularity of Beatty Park Leisure Centre makes it difficult to manage two large facilities in such proximity especially as Loftus Recreation Centre has not had the same capital investment as Beatty Park.

Options for the future use of Loftus Recreation Centre will be considered in detail before the end of the current lease in 2027 with strong interest shown by several parties including the new management team from Belgravia.