

Brighton & Hove City Council

Cabinet

Agenda Item 86

Subject: Devils Dyke Hotel

Date of meeting: Thursday 17 October 2024

Report of: Cabinet Member for Finance and City Regeneration

Contact Officer: Name: Jessica Hamilton
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Ward(s) affected: None

Key Decision: Yes

Reason(s) Key: Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000.

For general release

1. Purpose of the report and policy context

- 1.1 The Devils Dyke Hotel is leased on a 60 year lease from 1967 which is due to expire in 2027. The tenant has requested a new lease from 2024 to support their investment in the building and its infrastructure.
- 1.2 This report directly supports Outcome 4 of the Council Plan, that is a responsive council with well-run services. The recommendation supports good governance and financial resilience though achieving the best management possible of available council resources by seeking value for money and best use of our assets.

2. Recommendations

- 2.1 Cabinet agrees to the surrender of the current lease and grant of a new commercial lease of the Devils Dyke Hotel in accordance with the terms set out in part 2 of this agenda.
- 2.2 Cabinet delegates authority to the Corporate Director City Services in consultation with the Assistant Director Legal and Democratic Services to finalise the terms and take the necessary steps to complete the transaction.

3. Context and background information

- 3.1 The Devil's Dyke Hotel is situated on Dyke Road adjacent to the well-known beauty spot managed by the National Trust. The existing tenant is Mitchells & Butlers Retail (No 2) Ltd, and the property is held on a full repairing and insuring 60-year lease commencing June 1967 expiring June 2027 at a ground rent of £800pa.

- 3.2 The lease enables the hotel to be used as a public house and restaurant, with designated parts as a shop, café plus residential accommodation for the manager and staff. It requires the tenant to keep in good working order and open the public WCs and to enable the general public to use the car park (south).
- 3.3 Whilst there are three years remaining on the current lease, Mitchells and Butler have requested a new 25-year lease from December 2024. This would provide them with the security of a term certain to allow them to invest in the building and services, including maintenance of the fabric of the building and refurbishment as well as the resolution of issues with existing water infrastructure.
- 3.4 The terms of the proposed lease are set out in Part 2 of this report. The rent proposed reflects market levels and represents best consideration. We will continue our negotiations with the tenant and request their support in improving the visitor experience to Devils Dyke.

4. Analysis and consideration of alternative options

- 4.1 The current lease has security of tenure. Therefore it would be possible to leave the current lease in place for three years and for either the council or the tenant to serve a notice to renew the lease on expiry in 2027. The parties would then negotiate a new lease with a market rent from 2027. Whilst the tenant benefits from an automatic right to a new lease on the terms of their existing lease (save as to rent), they would be reluctant to invest in the building now, with only three years remaining, without absolute certainty that a new lease would be granted.
- 4.2 In addition to delaying the tenant's investment in the building the council would continue receiving the ground rent of £800pa under the current lease until its termination in 2027 and only on grant of a new lease would the rent increase to reflect market value.
- 4.3 By granting a new lease from 2024, in advance of the current lease expiry, the council would benefit from an increase in income and would secure the tenants' earlier investment into the building.

5. Community engagement and consultation

- 5.1 The current lease between the council and Mitchells & Butler documents the contractual relationship between the two parties. The new lease will be granted on similar terms and is not subject to community consultation. The provision of public toilets and the bus turning circle will be maintain as a condition of a new lease. The tenant will also continue maintain the south carpark and be able to charge a reasonable car park fee for public use of it. Negotiations with the tenant will continue and we will seek their support in improving the visitor experience to Devils Dyke.

6. Financial implications

- 6.1 Agreeing to the earlier grant of a new commercial leases will ensure value for money and best use of our assets, securing an increase in income and the tenant's investment in the building and its infrastructure.

Name of finance officer consulted: John Lack Date consulted: 16.09.24

7. Legal implications

- 7.1 The Council has the power under section 123 of the Local Government Act 1972 to dispose of land subject to achieving the best consideration reasonably obtainable. This report confirms that the terms agreed represent best consideration reasonably obtainable and therefore the requirements of section 123 are met.

Name of lawyer consulted: Siobhan Fry Date consulted: 16.09.24

8. Equalities implications

- 8.1 It is not considered that the proposal would negatively impact on any particular group in relation to their protected characteristics. Therefore, no equalities implications have been identified as arising from this report.

9. Sustainability implications

- 9.1 As part of the tenant investment into the building improvements will be made to the water infrastructure and building including doors and windows, improving the energy efficiency of the building.

10. Health and Wellbeing Implications

- 10.1 The leasing of this property will support employment and enhance the attractiveness of Devil's Dyke as a location, therefore contributing in a small way to the wider factors influencing health and wellbeing.

11. Conclusion

- 11.1 It is recommended that a new lease be granted to Mitchells & Butler on the terms proposed.

Supporting Documentation

1. Appendices

1. Location Plan

