

**REPORT TO CABINET**

**23<sup>rd</sup> April 2026**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

## **CABINET DECISION**

**Resources and Transport – Lead Cabinet Member – Councillor Paul Rowling**

# **Stockton Hotels Company Limited and Stockton Borough Holding Company Limited Annual Report**

### **Summary**

This report provides an update on the performance of Stockton Hotels Company Limited and Stockton Borough Holding Company Limited and enables Cabinet, in its capacity as shareholder, to consider both the financial performance of the companies and the wider economic and regeneration outcomes associated with the Council's investment.

### **Reasons for Recommendation(s)/Decision(s)**

The Council is the sole shareholder of Stockton Hotels Company Limited and Stockton Borough Holding Company Limited. In addition to financial performance, the Council's investment in the hotel was intended to support wider regeneration, economic activity and inward investment. This report therefore provides an opportunity for Cabinet, as shareholder, to consider the extent to which those objectives continue to be met and to provide strategic direction to the companies.

### **Recommendations**

1. Note the performance of the HotelCo for the financial year 1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2025.
2. Agree to appoint Lisa Tague, Strategic Finance Manager, as a council appointed director of both companies.
3. Agree to delegate the appointment of further Council Officers to the board of both companies to the Shareholder Representative in consultation with the Cabinet Member for Resources and Transport.

4. Agree to delegate the appointment of the non-executive director to the board of directors for HotelCo to the Council's Shareholder Representative in consultation with the Cabinet Member for Resources and Transport.

## Detail

1. The Council is the sole shareholder in HoldCo, which in turn wholly owns HotelCo. HotelCo operates the Hampton by Hilton hotel at Northshore under a franchise agreement. The hotel is owned by the Council (subject to a 250 year lease) and operated by Ambridge (formerly Interstate) under a third-party management agreement. As described previously, the primary purpose in establishing the Hotel has always been economic growth and regeneration, anchoring the wider Northshore development, facilitating inward investment, and creating local employment.
2. The original business case for the development of the hotel was not solely financial, but was intended to support the regeneration of Northshore and the wider economic development of the Borough. This included:
  - a. supporting business and industry demand, particularly mid-week accommodation;
  - b. enabling inward investment and supporting major employers;
  - c. contributing to the viability and profile of the Northshore development; and
  - d. generating local employment and supply chain benefits.
3. This report provides an update on the performance of the HotelCo covering the period 1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2025, aligning to the latest complete financial year and audit completion. Whilst the hotel continues to deliver a financial return, it is important that its performance is considered in the context of the wider objectives described at paragraph 2.
4. Members will note that work is currently underway to refresh the Council's strategic expectations as shareholder, including through the development of a new Shareholder's Agreement and the intention to introduce a more formal and periodically refreshed business planning framework, including more regular periodic reporting to Cabinet (at least annually).

## Performance Summary

5. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).
6. Company law requires that the directors of both companies file the Annual Report and audited Financial Statements for the year ended 31st March 2025 with Companies House by 31st December 2025. Following the end of the financial year, the directors engaged a local accountancy firm to undertake the audit of both companies. Following the completion of the audit, both companies filed all required information with companies house on 22nd December 2025.
7. The accounts filed with Companies House have been prepared in accordance with the provisions applicable to companies entitled to the small company exemption and does not include the Profit and Loss Account.

8. The directors of HotelCo and HoldingCo have provided a full set of financial statements to the shareholder which includes a profit and loss statement for both SBHC and SHC. These are available on the Council's website and were presented to Audit and Governance Committee on 23<sup>rd</sup> February 2026.
9. The board of directors engage an accountancy firm to undertake an audit of the accounts for both companies in line with regulations required by law. Following the independent audit of the financial statements of both companies the audit opinion is that the financial statements
  - give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its profit for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
10. The financial performance headlines for the 2024/25 financial year are as follows:

Turnover	£3,969,075
Profit after tax	£365,903
Occupancy	77.7%
Average Daily Rate	£97.37

The financial performance of the hotel remains stable and continues to support a dividend return to the Council. However, financial performance represents only one aspect of the Council's interest as shareholder and must be considered alongside the wider economic and regeneration contribution of the asset.

11. On 11<sup>th</sup> February 2026, the board of directors for HotelCo and HoldCo notified the Council of their intention to release a dividend relating to the financial year ending 31<sup>st</sup> March 2025 of £246,823. This dividend was paid to the Council on 18<sup>th</sup> February 2026.
12. The Council also receives income from the HotelCo for the following areas:
  - business rates
  - Service Level Agreement for the provision of finance and legal professional services,
  - lease payment (this sum is index lined).
13. As at January 2026, so far this financial year the HotelCo is experiencing similar turnover and occupancy levels, however it is seeing some cost increases across a number of suppliers. The Hotel continues to experience higher occupancy levels mid-week compared to weekends. This is due to high demand for business related stays during the working week. One off larger scale events continue to have an impact upon demand. Events held

during this year include Billingham Folklore Festival and Stockton International Riverside Festival. The Hilton Quality Audit score is at outstanding.

14. The HotelCo is within a comparator set of local hotels of similar size and properties. The HotelCo continues to outperform the market and comparator set achieving 1 out of 5 in the average daily rate and revenue generation index.
15. This year the hotel has experienced challenges such as
  - National Insurance rates increased from 1<sup>st</sup> April 2025. The earnings threshold also reduced. As a result, more employees, particularly those working part-time who were previously below the threshold, are now required to pay National Insurance. This increases the employers national insurance amount payable.
  - Continuing inflationary pressures contributing to the rising costs of services and global events are likely to have a further impact upon costs.
  - Weakening demand across the sector nationally for hotel bedspace particularly in the last two quarters, however the Hotel is maintaining market share.

#### Economic and Regeneration Impact

16. The hotel continues to play a role in supporting the wider Tees Valley economy and the regeneration of Northshore. This includes:
  - providing accommodation capacity to support local industry and business travel, particularly during the working week;
  - supporting events and activity across the Borough and the wider Tees Valley, including cultural and business events;
  - contributing to the attractiveness of the area for inward investment; and
  - generating employment and local supply chain activity.
17. The pattern of demand continues to reflect the hotel's original positioning, with higher occupancy levels mid-week aligned to business use. Cabinet may wish to consider whether this strategic positioning remains appropriate or whether a broader balance of demand, including weekend and leisure activity, should be encouraged as part of a refreshed shareholder strategy.

#### Board of Directors

18. The board of directors for both companies are currently made up of three officers appointed by the Council (by Cabinet as an executive function) in it's capacity as shareholder. These roles are unremunerated and form part of the officers' wider responsibilities within the Council. One of the board members is due to retire from the Council later this year, and it is therefore appropriate to increase the number of board members to ensure sufficient board capacity.
19. In order to ensure continued Council representation on the boards, it is proposed that Lisa Tague, Strategic Finance Manager, be appointed as a director of both companies. It is recommended that further Council Officers are appointed to the board of directors for both companies, and the appointment of these is delegated to the Shareholder Representative, who is the Council's Section 151 Officer and Chief Financial Officer.

20. All directors are currently Council officers. In order to strengthen governance and introduce additional external perspective, it is proposed that the hotel company appoint at least one independent non-executive director with relevant sector experience. This role will be remunerated at an appropriate level and funded by the company. The level of remuneration will be determined by the Directors appointed by the shareholder and consistent with other similar Non Executive specialist advisors.
21. It is recommended that Cabinet agree in principle to the appointment of a non-executive director, with authority delegated to the Shareholder Representative to determine the appointment, recognising that under the emerging Shareholder Agreement such appointments would constitute a reserved matter.
22. The introduction of a non-executive director is expected to support business planning, provide independent challenge, and assist in managing the distinction between the Council's role as shareholder and the responsibilities of company directors.

### Shareholder Agreement

23. Work is currently nearing completion to further strengthen and formalise the relationship between the Council and the companies through a new Shareholder's Agreement. This will:
  - clarify the respective roles of the shareholder and the board;
  - establish reserved matters requiring shareholder approval;
  - strengthen reporting arrangements; and
  - support the development of a clearer strategic framework for the companies.

### **Corporate Parenting Implications**

24. There are no corporate parenting implications that arise from this report.

### **Financial Implications**

25. The Board of Directors for the Stockton Hotel Company Limited and Stockton Borough Holding Company Limited have agreed to release a dividend to the Council of £246,823. This was paid to the Council in February 2026.
26. The non-executive director will be remunerated at a level determined by the directors of the HotelCo. This cost will be met by the HotelCo.
27. The level of financial detail included in this report reflects the Council's role as shareholder. Consideration will continue to be given to the appropriate balance between transparency and commercial sensitivity in future reporting.

### **Legal Implications**

28. The Council has the legal power to own and operate trading companies under the Local Government Act 2003 (Section 95), supported by the general power of competence under the Localism Act 2011. Stockton Hotels Company Ltd and its holding company, Stockton Borough Holding Company Ltd, are both wholly owned by the Council and were established in compliance with these statutory powers.

29. Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000, the exercise of the Council's shareholder rights in a wholly owned company is an executive function, and therefore a matter for Cabinet. The proposals in this report are therefore properly within Cabinet's remit.
30. Officers appointed as directors of the companies do so in addition to their Council roles. Appropriate indemnity arrangements are in place to ensure that those roles are covered within the Council's governance framework.

**Wards Affected and Consultation with Ward/Councillors (refer to Concordat for Communication and Consultation with Members)**

31. This report does not relate to a specific geographic ward and therefore does not directly affect any individual ward or its elected members.
32. As the subject matter concerns corporate governance arrangements for Council-owned companies, consultation has taken place with relevant Cabinet Members and senior officers. No direct ward councillor consultation has been required under the terms of the Council's Concordat for Communication and Consultation with Members.

**Background Papers**

33. North Shore Hotel, Report to Cabinet – 16 February 2016
34. North Shore Hotel, Report to Cabinet – 19 May 2016
35. Update of Governance Arrangements for the Council's Hotel Company, Report to Cabinet – 17<sup>th</sup> July 2025

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