# Former owner blames hotel debt on regeneration project delays



The former owner of Newcastle's Crowne Plaza hotel has attributed its significant debt of £39.5 million to delays associated with a broader regeneration project, specifically the planned development of the Stephenson Quarter. The local authority, Newcastle City Council, took over ownership of the hotel last month following the administration of its previous owner, Stephenson Hotel Limited, a subsidiary of the Clouston Group. The council had previously loaned substantial funds to the company to both construct the hotel and support its ongoing operations.

Stephenson Hotel Limited has publicly stated that their inability to repay the loan is a “direct consequence” of halted building work in the surrounding area. A spokesperson for Newcastle City Council rejected this assertion, noting that the hotel, which reportedly has an annual profit of approximately £1 million, has not been adversely affected by any perceived lack of office development in the vicinity.

The redevelopment of the Stephenson Quarter, which has historical significance as the former site of the renowned Stephenson locomotive works, has been beset by challenges that have persisted over more than a decade. Clouston Group was initially the city council's partner in the vision for this area, which aimed for the Crowne Plaza to stimulate additional commercial activity. However, the group was removed from the project in 2018, leading to a new partnership with PfP igloo.

In recent updates, the area has seen a mix of developments, including the Boiler Shop venue and the North East Futures technical college, but continues to struggle with a series of construction delays. Plans for a significant 10-storey office development, known as One Founders Place, have yet to materialise, while the restoration of the adjacent Pattern Shop site has also faced setbacks attributed to escalating costs and the collapse of its original contractor.

Financial records published last week for Stephenson Hotel Limited, which reported a loss of £4 million overall, indicate that the consultancy had been founded on the premise that the hotel investment would support a roll-out of office space, which was expected to create approximately 3,500 jobs. The directors expressed concern over the council's change in policy, stating that as a result of the council's assumption of development responsibilities, “none of the new offices have been developed and as a direct consequence the balance of the loan cannot be repaid.” They further noted that the hotel now has an estimated value of just £14 million, falling considerably short of the outstanding debt.

The Labour-led city council acknowledged that developing the Stephenson Quarter has presented complexities but highlighted the recent announcement regarding Durham’s Atom Bank relocating hundreds of jobs to the Pattern Shop. City officials expressed optimism that ongoing developments will ultimately encourage further growth in the area, benefitting the local and regional economy.

Despite the anticipated profits, the council is facing scrutiny over its financial involvement with the hotel. Opposition councillors are calling for an investigation into the financial decisions surrounding continued support for the hotel. Mark Mitchell, chair of the council’s finance and budget scrutiny committee, raised concerns about the viability of the recovery of the £39 million loan, characterising such investment as high-risk. He argued that the council’s role in hotel management raises questions about the efficacy of its investment strategies and the projected return on expenditure.

In response to the criticisms, Labour council member Paul Frew pointed out that the initiation of the hotel deal took place under the previous Liberal Democrat administration in 2010. Frew also affirmed the Labour administration's readiness to support an investigation into past decision-making processes, irrespective of political alignment, emphasising the accountability of prior officials in the matter.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.pwc.co.uk/press-room/press-releases/administrations/stephenson-hotel-limited--in-administration----completes-sale-to.html> - This article confirms that Stephenson Hotel Limited, the owner of the Crowne Plaza Newcastle hotel, went into administration and was sold to Crossco (1467) Limited, a company owned by Newcastle City Council. The transaction included transferring all 135 employees.
* <https://www.dailymotion.com/video/x9h706i> - This video transcript highlights Newcastle City Council's financial involvement with the Crowne Plaza Hotel and the scrutiny it faces due to substantial loans provided to the hotel. It also mentions the council's acquisition of the hotel.
* <https://www.chroniclelive.co.uk/news/north-east-news/newcastle-council-crown-plaza-hotel-26250074> -
* <https://www.geordie-shore.net/stephenson-quarter> -
* <https://www.insidermedia.com/news/north-east/newcastle-s-crowne-plaza-hotel-set-for-sale> -