

Appendix B: Risks:

Risk	Mitigation
Councils do not know how to run hotels	A surprising number of Councils operate hotels, including Hilton hotels, and the Council has contacted four of them to share their experiences. The council is also seeking professional advice from consultants, operators and contractors with direct experience of procuring, construction and operating Hilton hotels.
The Council does not have the skills or capability to develop a hotel	The Hilton will only work with certain approved partners and one of these would be employed to support the development of the hotel. The hotel must be built to certain standards and so the operator and Council would together provide the assurances that this has taken place
The Council does not have the skills or capability to operate a hotel	The Hilton will only work with approved operators and one of these would be contracted with to operate the hotel. Due diligence is currently being undertaken and alternative procurement routes are being considered. Any contract with an operator would be agreed within the Council's procurement rules and subject to specialist advice from consultants experienced in delivering agreements of this type.
The procurement for the hotel will be complicated	The Council has started to consider the procurement strategy for procuring various elements of the arrangement. These include tax advice, developers and operators. Given the interest in the hotel this needs to be clear but also efficient.
The Council is putting more money at risk, as well as the money already invested	The Council has looked at the financial arrangements and the best way to protect the existing investment is to continue to invest. This will also protect the Council's investment in its own building, Sand Martin House, and the whole Fletton Quays regeneration development. The Council will need to satisfy itself that the budget prices, costs-to-complete and procurement route to deliver and run a new hotel are robust.
How will the Council exit from the investment?	Hotels reach their optimal value after 3-5 years of trading when they can be sold as a business with a trading history. The Council can sell its investment then. Or it can continue to operate the hotel if it chooses. Other Councils have chosen both options.
How will the council ensure it doesn't subsidise the hotel?	The proposal is that the hotel would either be held in a PropCo and be funded by a loan at commercial rates, or it would sit inside the Council. Consideration needs to be given as to whether this is a trading activity and so needs to be in a separate company. Consideration also needs to be given to the tax implications.

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