

Appendix 1 to business case: Financial Implications

All subject to reconciliation with SLM

The impact of the investment option can be summarised as follows

All cash figures £000

	Grange Paddock	Hartham	Combined
Investment	1,886	1,699	3,585
less			
Reduction in fee over 10 years	-2,036	-1,290	-3,326
equals			
Net cash impact over 10 year	-150	409	259
Years to recover capital sum invested from lower fee **	13	19	15

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Assumes a cost of capital of 5% pa, no further investment, fee saving continuing after year 10 at lowest rate of saving in any of years 8 to 10

The reduction in fee compares the fee without investment with what the fee would be after investment; these figures are at current prices. Fees will be indexed by formula set out in the contract.

The reduction in management fee reflects increases in both income projected - £8.27m over 10 years and in operating costs - £4.94m over 10 years that flow from the investment. The higher reduction in fee in respect of Grange Paddock reflects a £0.7m greater increase in income projected.