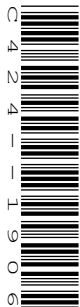


Monday 20 May 2019 – Afternoon

LEVEL 3 CAMBRIDGE TECHNICAL IN BUSINESS

05834/05835/05836/05837/05878 Unit 3: Business decisions

INSERT



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Seaview Leisure Centre

The business

Seaview Leisure Centre (SLC) is owned and operated by Beachside District Council.

The leisure centre was opened in 1987. Facilities include:

- a gym with treadmills, exercise bikes and body strengthening equipment
- a studio used for exercise classes (e.g. yoga and Zumba)
- a 25-metre swimming pool
- a sports hall used for basketball, badminton and other indoor sports
- a small café.

Apart from public holidays, *SLC* is open every day of the year. Its opening hours are 6.30 am to 10 pm Monday to Friday and 8.00 am to 6 pm on weekends.

The principal aims of *SLC* are:

- to earn sufficient revenue from its activities to cover its operating costs and use any surplus to contribute to its capital costs
- to support the social objectives of Beachside District Council by widening participation in sporting activities.

SLC's main sources of funding in 2018 were:

- membership fees from the general public (35%)
- admission fees from non-members paying for one-off activities (15%)
- fees charged to clubs and societies that use the facilities throughout the year (10%)
- fees charged to local schools and colleges for use of the facilities on a regular basis (15%)
- a grant from Beachside District Council (25%).

SLC has a full-time Manager, Tania Nixon. Tania is responsible for all operational activities at the leisure centre, including managing *SLC*'s budget. Tania also offers advice on strategic planning issues to her line manager, Mansoor Khan, the Director of Leisure Services at Beachside District Council.

SLC employs several qualified gym instructors whose duties include: lifeguarding at the swimming pool, monitoring of activities and equipment in the gym and leading exercise classes in the studio. In addition, *SLC* employs customer support workers who provide administrative and reception services, cleaners and site maintenance workers.

The problems

The leisure centre is in substantial need of updating. The swimming pool and changing facilities, last updated in 2001, are in need of a complete overhaul. In addition, most of the equipment in the gym pre-dates the use of smartphones and Bluetooth-equipped personal fitness equipment. The studio also needs to be refurbished.

The average age of current members is 35. This has increased from 28 in 2010. Since 2010 two private gyms have opened in the local area and, although not featuring a swimming pool, have a much younger customer profile.

The findings of a recent member survey by Beachside District Council suggest that 30% of members cite the swimming pool as a 'major reason' for their membership of *SLC*. A separate residents' survey finds that a lack of appeal to younger residents is a major factor limiting the membership of 16-35 year olds. In contrast, over 60% of over 55s are happy with *SLC*'s facilities.

Beachside District Council is under pressure from council tax payers and the central government to reduce the amount it spends supporting its leisure centres. The Council would like all its leisure centres to be self-financing by 2025 and, to help achieve this, intends to reduce its grant to all of its leisure centres, including *SLC*, by 15% each year from 2019.

Tania has been asked to present a proposal to the Council on the way forward for *SLC* in three weeks' time. She is concerned that she has insufficient resources to conduct a decision-making exercise in the time allowed by Mansoor. Tania has not previously used project-planning software and she has limited experience of leading such a major decision-making project.

Tania is considering each of the following three options.

Option 1: Gym and studio refurbishment

The existing gym and studio would be redecorated and new state-of-the-art fitness equipment installed in the gym. This would enable users to connect their Bluetooth-enabled smartphones and personal fitness trackers directly to the equipment and post their work-out data to social media via WiFi. New equipment such as a climbing wall would also be installed. The cost of the refurbishment is estimated to be £200 000. The gym and studio would be expected to be closed for the duration of the works. Tania thinks that the refurbishment would result in a significant increase in leisure centre membership, especially from those under 35 years of age. This option would require the appointment of additional gym instructors. The capital funds for this option would be borrowed from Beachside District Council at a fixed rate of 2% interest over two years. Capital investment appraisal suggests a payback period of approximately two years, with an ARR of 8% over the first seven years.

Option 2: Contract-out fitness classes

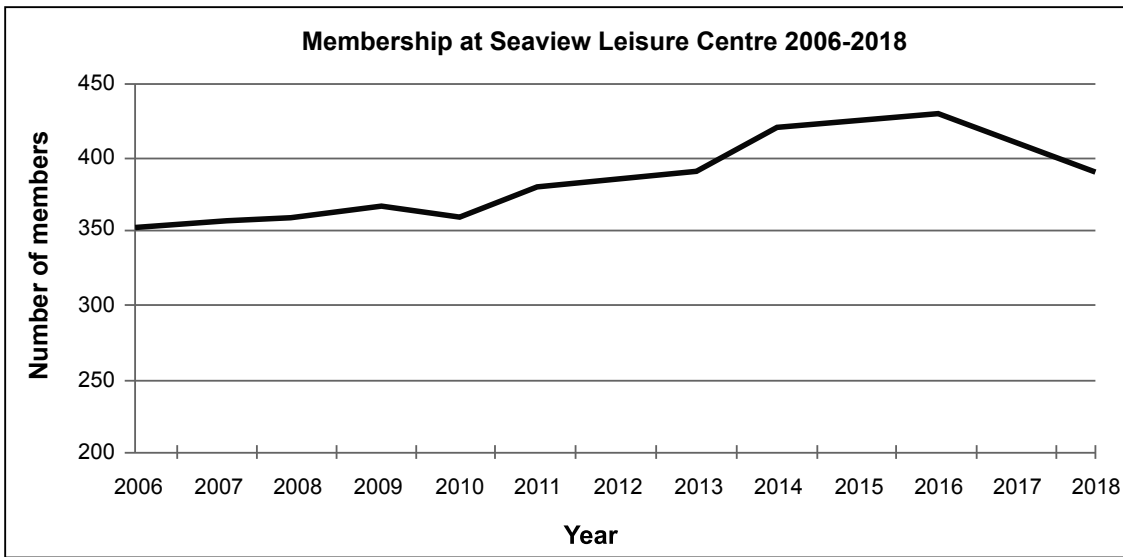
Currently, all fitness classes at *SLC* are run by its employees. Tania is considering using a third-party fitness organisation, PB Fitness, based in Sweden. PB Fitness operates seven different fitness classes (e.g. indoor cycling, yoga, body strengthening) that feature a 45-minute choreographed set of activities. *SLC* would need to pay a licensing fee of £2000 each month to PB Fitness but would no longer need to recruit its own fitness instructors. PB Fitness would manage the quality assurance of self-employed fitness instructors who would be paid £30 per hour to lead classes. Market research conducted by PB Fitness suggests that its programmes are very popular with all ages, as users are able to attend classes that suit their particular fitness levels and interests. An initial outlay of £30 000 would also be needed to cover advertising and contractual expenses. This would be borrowed from Beachside District Council at a fixed rate of 2% interest over one year. Capital investment appraisal suggests a payback period of approximately three years, with an ARR of 16% over the first seven years.

Option 3: Upgrade the swimming pool

The swimming pool needs to be overhauled and the poolside changing facilities refurbished. Tania estimates this would cost £1.2 million and would result in the swimming pool being closed for four months. Without this work Tania thinks that there is a significant chance that the pool may have to be permanently closed in the medium-term as the pool is reaching the end of its lifetime. The pool is currently used extensively by local schools and swimming clubs. Water-based fitness classes are very popular with older members and pregnant women. The capital funds for this option would be borrowed from Beachside District Council at a fixed rate of 2% interest over seven years. However, in order to approve the loan, the Council would have to be convinced that it was worth diverting funds away from other projects, including local schools and roads. Capital investment appraisal suggests a payback period of approximately six years, with an ARR of 1.5% over the first seven years.

Appendix 1

Membership at Seaview Leisure Centre



Appendix 2

Warning of growing disrepair at leisure centres

Leisure centres could fall into disrepair and even be forced to close after years of austerity, local authorities have warned.

The Local Government Association, which represents more than 370 councils in England and Wales, is calling on the government to inject new funding into leisure infrastructure in the autumn budget.

It warns that council-owned sports halls and swimming pools are at risk of becoming “old and tired” as budgets become increasingly squeezed, leaving them at risk of closure.

The Local Government Association has said investment in leisure infrastructure would get more people physically active and help to tackle some of the major health issues facing the country, such as obesity, diabetes and heart disease.

With many sports halls and swimming pools reaching the end of their 25-year life, the Local Government Association claims the government has an opportunity to invest new money that “breathes new life” into the country’s leisure facilities.

In its Budget submission to the Treasury, the Local Government Association is calling on the Government to introduce a £400 million funding pot to help pay for improvements to infrastructure to safeguard health and wellbeing.

The Association says this would allow councils to upgrade and renovate facilities to the standard needed to support healthy, active communities.

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