



Oxford Cambridge and RSA

Monday 13 January 2025 – Morning

Level 3 Cambridge Technical in Business

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

Insert

Time allowed: 1 hour 30 minutes

C424/2501



INSTRUCTIONS

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INFORMATION

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- This document has **4** pages.

The business

Coresby is a small town in the North of England. The members of Coresby Town Council (CTC), the town councillors, are elected in local elections.

CTC recently agreed its main objectives for the next five years. These include a commitment to:

- support community groups in the town
- support local residents in their efforts to maintain their standard of living (especially in the face of the rising cost of living)
- support developments in sustainable living (including the use of energy, fuel and transport)
- make the council more financially secure.

CTC owns a community hall in the centre of town. CTC hires out the venue during the daytime and evenings to individuals and local organisations, including a camera club and a keep fit class. CTC currently charges an hourly fee of £20 to hire the hall.

The current situation

In recent years the cost of running the hall has increased. The rising cost of energy and wages has meant that for the past few years the venue has operated at a loss and is one of the reasons that CTC's financial reserves are reducing and now stand at £35 000. The hall has not been renovated in recent years and is now starting to look very dated.

CTC recently held a review into the running of the hall to identify whether it would be possible to increase income by raising the hourly fee to hire the hall to £30. Nearly all of the local groups consulted said that this would make it difficult for them to continue to use the council venue. As a result, they would either have to close down their group or seek an alternative venue in a nearby location.

The leader of the council, Amir, has identified two ways the community hall could be developed, in order to increase income. Amir wants to present these ideas to the council at its next meeting.

Option 1: Community cinema

Amir thinks that a community cinema would be popular with Coresby's residents. He estimates that there would be sufficient demand in the town to hold a film night once a week throughout the year. The nearest cinema to Coresby is over ten miles away in a nearby town. The only way to travel between the two towns in an evening is by car.

The community hall would need to be adapted to make it suitable for use as a cinema, whilst still enabling other community events to take place at other times. New audio-visual equipment would need to be purchased as well as new comfortable seating that could be removed when the cinema is not in use.

Cinemagoers would be able to buy snacks and non-alcoholic drinks. Amir has estimated that 80 people would attend each film. Food and drink would need to be purchased and the films would need to be hired. 35% of the ticket price of £6 would need to be paid to the licence-holder for each film screening.

Amir estimates that the capital expenditure for this option would be £31 000, funded from CTC's cash reserves. Amir estimates that the ongoing revenue expenditure would be £17 000 per year with a payback period of 31 months and an average rate of return (ARR) of 6.99% over three years.

Option 2: Wedding reception venue

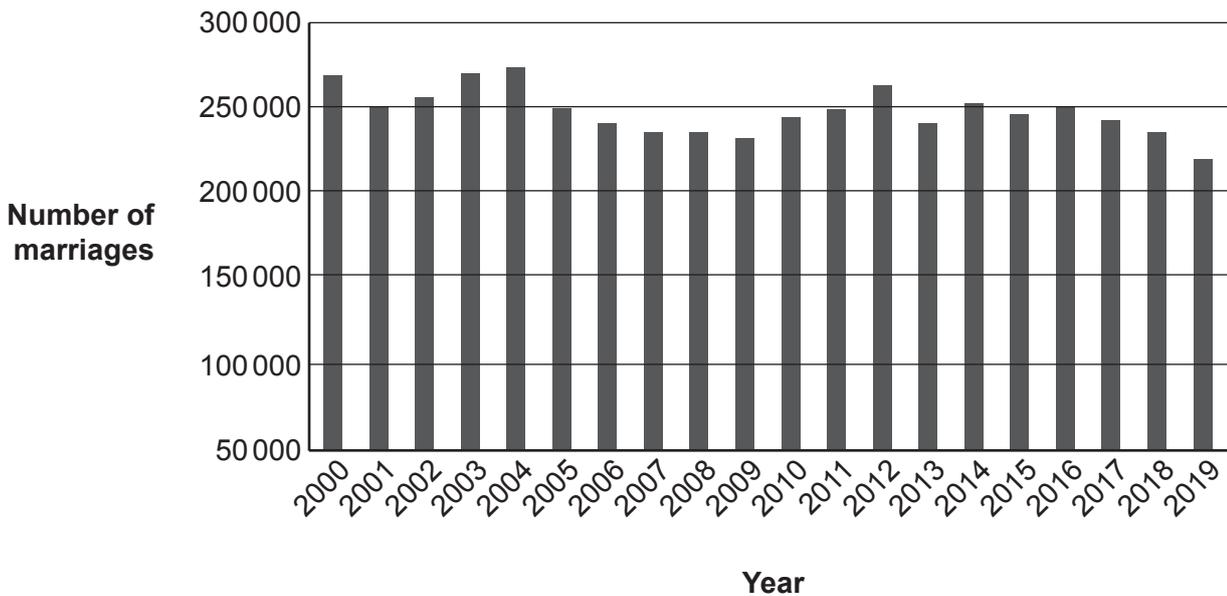
Amir thinks there is a gap in the market for a relatively low-cost wedding reception venue in the town. He estimates that there is demand locally for 20 weddings per year to be held at the community hall. The only wedding venue which exists locally is in a mansion on the edge of town. Most of the weddings at the mansion are for couples from outside of the town, where incomes are generally higher.

The community hall would need to be adapted to enable the preparation and serving of cold-food buffets as well as drinks to guests. This could include alcoholic drinks if required. New tables and chairs would be needed as well as audio equipment to enable music to be played. All facilities would need to be flexible so that local community groups could continue to hire and use the hall at other times.

Amir estimates that the capital expenditure for this option would be £15 000, funded from CTC's cash reserves. Amir estimates that the ongoing revenue expenditure would be £60 000 per year. Amir thinks that the wedding reception venue would have a payback period of 30 months and an ARR of 6.67% over three years.

Appendix 2

Number of marriages by year, England and Wales, 2000 to 2019



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