FRONT OFFICE BUDGET

A front office budget is a formal financial statement of a future period. The front office budget planning process for front office is done by the front office manager and mainly includes forecasting rooms revenue and estimating related expenses. The accounts department is responsible for coordinating the front office budget plan of individual department managers into a comprehensive hotel operations budget for top management’s review. The hotel general manager and controller review the departmental budget plans and prepare a budget report for approval by the property’s owners. If the front office budget is not satisfactory, elements requiring change are returned to the appropriate division managers for review and revision. Rooms revenue is forecasted with the input from the reservations manager and expenses are estimated with the input from all department managers in rooms division.

## FORECASTING ROOMS REVENUE

Historical financial information is very important for the front office managers to forecast the rooms revenue. One method of rooms revenue forecasting involves an analysis of rooms revenue from past years.  
Another way is revenue projection on the basis of past room sales and average daily rates.

Forecasted Rooms Revenue = Rooms Available X Occupancy % X Average Daily Rate

A more detailed approach would consider the variety of different rates according to room types, guest profiles, days of the week, and seasonality of the business. These are some factors which affect room revenue forecasting.

## ESTIMATING EXPENSES

Most expenses for front office operations are payroll and related expenses, laundry, guestroom laundry, guest supplies, hotel merchandising (in-room guest directory and promotional brochures), travel agent commissions and direct reservation expenses, and other expenses. When these costs are totaled and divided by the number of occupied rooms, the cost per occupied room is determined.

## REFINING FRONT OFFICE BUDGET PLANS

Departmental budget plans are commonly supported by detailed information gathered in the budget preparation process and recorded. These documents should be saved to provide an explanation of the reasoning behind the decisions made while making departmental budget plans. Such records also help to solve issues that arise during the budget review. The documents may also provide valuable assistance in the preparation of future budget plans.