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FINANCIAL MANAGEMENT FOR
THE HOTEL INDUSTRY

BMIH5007

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Grand Hotel Budget Planner

Executive Summary

The finding of this report is based on how well budgeting works for governments, business owners, employees, and guests. It also summarizes what budgets are suitable for each party and gives details of how they are integrated into the business to help achieve set targets and goals. The understanding and importance of budgeting are also discussed in the finding. Hence, how important it is to introduce sustainability into the budgets. The budget planner is reviewed, and suitable actions are taken to keep profits high and cut losses. Also, financial, and non-financial activities in the budget are analyzed to find areas that are beneficial to staff and management.

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Introduction

A budget is the recording of all profits and losses in an organization from the smallest gain to the biggest gain and the same goes for losses. For example, the promotion, advertising, complimentary drinks, and activities are all accounted for and recorded in the budget. This information is then reviewed annually to determine which areas need to be carefully reconstructed or which areas are doing well and working great for everyone involved. Creating a budget for a hotel is the most important process to operating a successful business. It gives insights into problems that arise from overspending, helps with motivating staff to reach their set targets, and helps managers solve issues at an early stage (Martin, 2019, p.29). Budgets have three main purposes, which are predicting a company's future development, coordinating activities and tasks, and motivating employees to have the organization's best interests at heart to achieve great service (Weber, and Linder, 2005)

Analysis of the Grand Hotel Budget Planner

In April, May, and June, the Grand Hotel had its highest-grossing period, with November and December being the second highest for nightly demand. It is essential for the Grand Hotel to invest in a decoration department store where all materials for the celebration are held in-house. This gives the hotel a chance to compete with other hotels with working sustainable materials and products. Hence creating opportunities for staff and management to socialize and collaborate on a meaningful project. This will reduce the yearly spending on unnecessary decorations and increase the monthly income. The Grand hotel's monthly employee overtime averages about £3,400. It is imperative to implement employee training programs and supply them with the correct tools to do their job, to reduce overtime. Hence each department needs to be updated on the importance of utility bills and how they can be reduced. Everyone can play a part in lowering utility bills, for example turning off lights when not in use, and using less water. The Grand Hotel subscribes to ten different magazines for a quarterly cost of £2,150 and several newspaper outlets for a monthly cost of 1,150 per month. To lower or reduce this monthly cost it is important to invest in its own magazine and newspapers or sign a yearly contract with a popular newspaper outlet, this will reduce waste and losses, and can also help with sustainability by limiting paper and energy consumption.

Cultural behavior is key to meeting guest expectations, in-room complimentary drinks cost the hotel £1.350 per month. Using local ingredients and integrating cultural aspects into the way the complimentary drinks are made could reduce the price and cost of

drinks and offer a vast experience for guests. The Cost of custom-made furniture can also be replaced with locally-made furniture. All training needs to be held in-house instead of at the UWTSD (University of Wales Trinity Saint David) where five managers receive training for the price of £1,500 each. Adopting changes in the environment is also key for a successful business, the cost of leased cars from Days is estimated at £2,750, and the petrol/gasoline estimates to £1,000 per month, to reduce this cost the Grand hotel could invest in electric cars and charging stations. "Electric Vehicle Outlook 2018" suggests that there will be an increase in cars and charging stations by the year 2030, predicting about 30 million electric car sales in the market by 2030 (Fox, 2018).

A renovation of the property could boost return guests and profits and save a lot of money at the same time because paying another hotel for your guest to use their services does not help the hotel's competitive nature. More activities on hotel property such as movie nights and singing contests to keep guests entertained can be substituted for in-room sky movies and sports packages which cost the hotel an estimated £1,250 per month. Also, the hotel could host sports events, so that they can capitalize on their investment with their Premier League pass which cost the hotel £6,000 per year. The in-room minibar does well and needs to be upgraded to exceed guest expectations and offer an even more appealing variety, for example, organic and local products.

The Importance of Budgeting

Budgeting is the overall planning of the enterprise activities for a certain time slot. It is used by an organization's management team to project what will happen throughout the year, including financial or non-financial activities. Financial Budgeting is important because it displays the quantities of available resources, the amount of new and old products, the number of employees, and the estimated production and sales. Hence non-financial data is used to plan activities and predict expenses, profits, and Investments for the period. The budget is used as an instrument for strategic planning to achieve short-term goals, the objective of a budget is to compel planning, to use it as a communication tool, to motivate staff, and allocate resources and responsibilities. Most of all the importance of budgeting is to meet the needs of the guest, determine the turnover rate, and control or account for the flow of raw materials in the organization, hence all play a role in the efficiency of an organization. It is also important for the management team because it shows the increase in occupancy and refers to the proper action to take.

[The Understanding of Incremental Budgeting](#)

Incremental Budgeting is commonly used in governments, focusing on the equation's input side, for example, the amount of money spent yearly. In the education department, it accounts for the number of teachers employed, the total number of bus routes serviced, the available class resources, and the number of schools. Increment budgeting could be referred to as short-term budgetary decision-making to achieve a long-term goal (Ortynsky, Marshall, and Mou, 2021). In the hotel industry, incremental budgeting accounts for the renovation of rooms, and all the amenities and extra tangible attributes being offered are updated. Hence, to minimize the incremental budget, for example, the reuse of carpets and wallpaper and the increase in price rate is mandatory to seek a return on their investment (Swidler, 1998).

[Activity Based Budgeting](#)

According to Oxford Dictionary, activity-based budgeting is realizing the cost of activity in each function of an organization (Law, 2016). Analyzing the relationship between each activity and using that knowledge to determine how well each section is managed, also explains any variances from the budget spending. It is a combination of activity- and

capacity- base concepts. The main function of Activity- base budgeting is to use detailed models such as the Closed-loop concept that show the organization's activities, processes, resources, and capacity that are used to generate plans and budgets. An important note of activity-based budgeting is that it strengthens capacity planning in the firm's processes. Because it is computer-based it is easier than traditional methods in terms of corrective action. For example, if the service demand is high, re-running the model will show high demand for labor in that period. This helps managers with the allocation of staff instead of fixing the problem with overtime from staff that causes a high number of burn-out employees. Activity-based budgeting has the flexibility to point out circumstances ahead of time and show the correct action to take (Hasen, 2011, p.289)

Value Proposition Budgeting

Value proposition budgeting is also known as priority-based budgeting, every budget line is evaluated, and information is collected to determine where the highest-value product and the lowest-value product, then organizations emphasize on the high value to achieve a return on investment and find new ways to achieve the same with the low-value products (Divvy, 2022). With this data, businesses can deter overspending and focus on the value drivers. For example, value proposition budgeting is used by governments, where their budgets often go through financial restructuring, (VPB) is important because it shows the areas in the community that needs government to spend a lot of money and points out areas that need less or other resources. Hence Value proposition budgeting helps governments to see what is of high relevance (Johnson, and Fabian, 2012)

Zero Budgeting

Zero-based Budgeting uses different methods from traditional budgeting, whereas traditional budgeting considers starting with the figures from the last year's budget, zero budgeting starts with zero, and each department head is responsible for the entire budget throughout the year (Heery, and Noon, 2017). John Garrett CFO of Dollar General Crop stated that zero-based budgeting helps them to go a layer deeper into budgeting and move the costs that are at baseline to more profitable areas and help to drive an ownership mentality. Zero-based budgeting is used as a technique to cut costs or manage costs in large organizations. It is a complex method, but if implemented correctly it could be successful for a business in terms of stopping losses of revenue. It allows each department to question and justify each expenditure item to determine its demand and purpose, which creates data and conversation that encourages innovation (Coyte, Messer, and Zhou, 2022).

How budgeting control can support sustainability

Budgeting control can support sustainability in many ways, for example, hotels can implement sustainable practices in their budgeting planner, by including paid training for staff and managers in the everyday activity of sustainability practices, for instance, programs on the importance of saving water. Waste control and energy control can also be included in the budget by eliminating the purchase of modern furniture from the budget instead, using waste materials to create eco-friendly furniture for the hotel. Hence adding energy-saving attributes to the budget such as LED-Light, and electronic cards, that allows everything to work once the guest is in the room. Harvesting water and purifying it for reuse instead of buying water or paying for it. Adding a recycle pick-up business to your budget planner to help with recycling all materials in-house not only support sustainability but also teaches employees about the importance of recycling (Tritto, 2020).

Conclusion

Budgeting is one of the most valuable tools an organization could invest in, it clearly shows all business actions, from overspending to the least attractive products and services. If implemented correctly managers could use the information from the budget planner to achieve short-term and long-term goals and meet guest expectations by offering great service. It also gives managers insight into how busy the business will get and offers reasonable options to take. With several types of budgeting available, companies could choose what suits their business style best. Most budgets focus on justifying all expenses and account for all available resources, and financial and non-financial activities. While others such as zero-based budgeting are more complex and help companies achieve the most challenging tasks. Incremental budgeting and Value-based budgeting are normally used by governments, this suits them best because of the changing circumstances that may occur in their communities. Hence small and large organizations might use either activity-based budgeting or zero-based budgeting to achieve their goals. It is important for managers to implement sustainability practices in their budgets to play their role in making the world a safer place and giving children a brighter future. Being sustainable also helps offer better services and products to guests.

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Appendix with Excel Budget Planner

	Apr £	May £	Jun £	Jul £	Aug £	Sep £	Oct £	Nov £	Dec £	Jan £	Feb £	Mar £	Total £
Receipts :													
Payment on business accounts	185,000	166,000	185,000	140,000	142,000	149,000	156,500	166,900	174,000	149,000	150,900	150,800	1915100
Cash sales													
Interest Received	405	2,737	4,706	7,232	8,500	9,744	11,353	13,159	15,371	17,518	17,518	20,976	94,718
Mini Bar	8,900	8,900	8,900	8,900	8,900	8,900	8,900	8,900	8,900	8,900	8,900	8,900	106,800
Total Receipts	194,305	177,637	198,606	156,132	159,400	167,644	176,753	188,959	198,271	175,418	179,164	180,676	1,965,153
Payments :													
Resturant	27,800	27,800	27,800	27,800	27,800	27,800	27,800	27,800	32,100	27,800	27,800	27,800	337,900
Freehold													
Fixtures and fittings													
Wardrobe		3,500	3,500	3,500	3,500								14,000
Sky Subscription	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	
Property expenses													
Car Insurance									8,000				8,000
Premier league license												6,000	6,000
Laundry	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	19,500
Energy costs													
Payments to suppliers													
Wages													
Salaries	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	57,500	690,000
Mini Bar	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	84,000
Training													
Virgin Pass	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Vehicles lease	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	33,000
Utility Bills	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
Van													
Petrol and diesel	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	24,000
Rates	3,200		3,200	3,200	3,200		3,200	3,200	3,200	3,200	3,200	3,200	32,000
Valeting	540	540	540	540	540	540	540	540	540	540	540	540	6,480
Marketing													
Overdraft Interest													
Beverage	2,700		2,700		2,700		2,700		2,700		2,700		16,200
Magazines	2,150			2,150			2,150			2,150			8,600
Overtime	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	40,800
Newspaper	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	13,800
Building Insurance						5,500							
Total payments	116,565	112,015	114,415	113,865	117,915	114,015	116,565	115,215	126,715	113,865	113,865	123,715	1,170,958
Balance b / f	13,500	91,240	156,862	241,053	283,320	324,805	378,434	438,622	512,366	583,922	645,475	699,189	408,6071
Net cashflow in month	77,740	65,622	84,191	42,267	41,485	53,629	60,188	73,744	71,556	61,553	53,714	62,961	74,8650
Balance c / f	91,240	156,862	241,053	283,320	324,805	378,434	438,622	512,366	583,922	645,475	699,189	762,150	5,117,438

