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BUDGET CONTROL

Philosophy :

Executive Sous Chef, Outlet Chefs and Outlet Manager must be a cost conscious operator.

Worldwide inflationary periods, increasing labor costs and escalating expenses force management to control expenses daily, keep ahead in an ever growing competitive market. The most successful Executive Sous Chef, outlet Chefs and Outlet Managers are also successful Financial Administrators.

Creativity, “touches” and continuous innovation can all cost money. However, expenses have to be spent within a planned approach (ie., a yearly budget) and in relation to sales.

The Executive Sous Chef & Outlet Chef must control expenses on a daily basis, know what their expenses are, and know how to manage them. The successful Executive Sous Chef & Outlet Chef and outlet Managers has effective systems set up to control and monitor his costs.

Effective cost management has major implications on departmental income. Hand in hand with maximizing revenues, it will lead to maximum profit.

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Controlling Expenses :

To enable employees in the Food and Beverage Department to control expenses, it is important to go through the following steps:

- Identify each of the expenses incurred by the department.
- Establish which of these expenses can be controlled.
- Delegate responsibility for control of these expenses to the appropriate subordinate.
- Set budgets and targets on a monthly basis for each expense.

Identify Expenses

The following expenses represent the headings normally found in a food and beverage department income statement :

Cost of Sales

- Food Cost
- Beverage Cost

Payroll and Related Expenses

- Salaries and Wages
- Extra Wages
- Employee Benefits

Provision for Replacement of

- Chinaware
- Glassware
- Linen
- Silverware
- Uniforms

Other Expenses

- Contract Cleaning (if any)
- Kitchen Fuel
- Laundry and Valet
- Meeting Expenses
- Music and Entertainment
- Operating Supplies
- Cleaning
- Bar

- Guest
- Paper
- Printing and stationery
- Banquet Expenses
- Decorations
- Licenses and Taxes
- Menus / Wine List
- Postage
- Utensils
- Spoilages
- Telephone, Telegrams & Fax
- Transportation
- Other

Controllable vs. Non-Controllable Expense

The extent to which an expense can be controlled varies with two factors :

- The time frame within which the expense is being reviewed
- The context within which the expense is being reviewed

Some expenses may be controlled only annually (for example, an annual night cleaning contract), while other may be controlled daily (for example, extra wages, cleaning supplies.)

The following example will illustrate how “ context “ can determine whether an expense is controllable or not. A Manager may have no control over his entertainment expenses, because entertainment is selected by the Food & Beverage Manager and Assistant Food & Beverage Manager, However Assistant Food & Beverage Manager level, this is a controllable expense, because he decides on the type of entertainment which will be featured in each outlet.

Each outlet Manager / Outlet Chef should break his cost down into the following categories :

1. Review Expectations
2. Budgeted Provisions

These are expenses which are committed as part of the annual business plan and an amount is accrued each month. Any savings made by the Outlet team in this area would only be reflected at year end.

3. Fixed Expenses

These are expense over which the outlet manager and outlet chef have little influence. They are either dictated by organizations outside of the hotel, or other agreements in which the Outlet Manager and Outlet Chef has no Part.

4. Expenses Controllable Only in the Long Term

These expenses can only be changed over a period of months, often only when contract agreements expire or concepts and policies change.

5. Allocated Expenses

These expenses are charged to the Food & Beverage Department on a pro rata basis.

The method of deciding the allocation varies from outlet to outlet.

6. Controllable Expenses
This category includes both expenses which fluctuate with business volume and those which do not.

Delegate Responsibility

Managing costs in a department is best tackled with a team approach. This means that each Outlet Manager and Outlet Chef must be made aware of the financial expectations of their outlets (i.e. profit levels).

Each Outlet Chef and outlet manager should be accountable, as far as possible, for his own expense. In revenue departments (outlets, bars and banquets), the respective Outlet Chef and outlet manager are responsible for controlling their own profitability, in conjunction with their counterparts in Stewarding area. In Stewarding area the head of department is responsible for minimizing costs while maintaining standards at acceptable levels.

Since the hotel have outlets setup with individual kitchens (satellite kitchens), there should be separate income statements for each of them. Costs, whenever possible, should be accounted for separately so that the manager/ chef team in each outlet can be made responsible for as many expense as possible. Ideally, therefore, an outlet team of Manager and Outlet Chef should be able to directly influence the following costs :

- Food Cost
- Beverage Cost
- Extra Wages
- Guest Supplies
- Paper Supplies
- Printing and stationery
- Menus / Wine Lists
- Utensils
- Spoilage

Some of these expenses are made up from two sources:

1. Requisitions made by the Chef's Office.
2. Requisitions made by Food & Beverage Office.

The Executive Sous Chef & Outlet Chef should be responsible for controlling back of house, and food cost. The Outlet Manager, should be responsible for control front of house and beverage cost.

Set Budgets and Targets

With separate outlet income statements, the Outlet Manager and Outlet Chef automatically have a budget figure. They should, for themselves, extract that portion of the controllable expenses over which they have complete control, and concentrate on these expense. He/She should work with the relevant Head of Department to reduce the other allocated portion of the controllable expenses.

He/She should also, in the long run, work with the Food & Beverage Manager and Executive Chef to reduce all outlet expenses.

The Outlet Manager/ Outlet Chef or Head of Department must be completely familiar with the unit cost of every product they requisition. They should obtain updated prices from the purchasing Manager and post the list prominently, as part of their own cost saving campaign.

Monitoring Expenses :

Daily

This information should be received and analyzed on a daily basis :

- Food and beverage Revenues :
By outlet and by meal period compared to forecast.
- Cover Count :
By outlet and by meal period.
- Food Cost :
By outlet compared to budget.
- Beverage Cost :
By outlet compared to budget.
- Payroll

(These figures may also be compared to last year.)

Weekly

- Payroll Expenses to budget :
Compared to budget.

Bi-Monthly

The Food & Beverage Manager and Executive Chef should establish with the Financial Controller, those expenses for which he/she is able to provide a mid month total. Ideally, it should include the following and provide a comparison of actual expenses versus budgeted. (Note these expenses are considered controllable because they can be influenced in the last 15 days of the month)

Alternatively, each outlet chef, executive sous chef and outlet manager should keep track of the expenses they incur by recording every requisition and purchase request.

Other Supplies
Extra Wages

Banquet Expenses
Decorations

Kitchen Fuel
Cleaning Supplies
Bar Supplies
Guest Supplies
Paper Supplies
Printing and Stationary

Menus / Wine Lists
Postage
Utensils
Other
Spoilage
Telephone and Telegrams

These expenses should be reviewed in the mid-month Food & Beverage meeting, along with revenue results. Corrective action should be taken before month end and where necessary.

Quarterly

The Food & Beverage Manager, Assistant Food & Beverage Manager and Executive Chef should review expenditures, actual versus budget of operating equipment (China, glassware, silver, line kitchen utensils and uniforms) and ensure that this expenditure is in line with budget.

The Food & Beverage Manager and Executive Chef should review the yearly budget for furniture, fixture and equipment expenditures with the Food & Beverage Manager and set target dates for the amount to be spent in the following quarter.

Minimizing Losses :

One of the first ways of reducing costs in any Food & Beverage operation is to minimize / Eliminate losses which occur.

Losses take one of three forms :

- Theft
- Error
- Waste

The Chart overleaf highlights the major areas of loss which can occur in the The Hotel Food and Beverage operation.

Major Loss Areas

Theft	Guest	Restaurant walk-outs Bad cheque / credit cards Stealing linen or silver Mini bar consumption Non-disclosure
	Employee	Stealing operating equipment Consuming restaurant food items Consuming beverage items Giving away free products
	Purchasing	Collusion with purveyors “ Kick- backs” Favored suppliers
Error		Accounting errors in cashiering Stock-taking errors Overlooking refunds Credits from suppliers
Waste	Damage	Improper storage and preparation of food and beverage items Food and beverage items Improper storage and handling of operating equipment Poor stock rotation and spoilage
	Personnel	Over-staffing Overtime Incorrect recruiting Poor Scheduling
	Negligence	Poor portion control Misuse of food items Misuse of operating equipment
	Time	Poor training Time wasting by employees Inefficient operating systems Time theft

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Reducing Losses

This requires a planned approach and a joint effort by the Food & Beverage team to :

- Identify where loss occurs.
- Plan how to prevent or minimize the loss.
- Implement a loss prevent campaign using:

Training

Employee Campaigns (e.g. monthly campaigns)

Tighter Controls

More spot checks

Closer monitoring of employee's performance

Minimizing Operating Equipment Losses

Since operation equipment represents one of the major expenses in a food and beverage operation, the following approach might be used to minimize losses. Similar approaches could be used for other major loss areas.

1. Each outlet should have a par stock of operating equipment (i.e., in circulation)
2. Each outlet should do a monthly inventory for its own benefit.
3. There should be a complete quarterly inventory of all operating equipment done in conjunction with Accounts.
4. The Chief Steward and Assistant Food & Beverage Manager should establish a proper breakage reporting system.
5. New operating equipment should only be issued against broken/ damaged equipment on a one for one basis. These damaged items can then be properly accounted for the condemned/ discarded.
6. Each outlet should have a complete list of all equipment. A display board using photographs of the major items should be posted in the service area. Alongside each items should be the unit cost.
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8. The Chief Steward should maintain a computerized perpetual inventory card system of every item of operating equipment.
9. The Restaurant Manager and Chief Steward may consider developing an incentive system for outlets with breakage problems.
10. Breakage reports should be introduced into each outlet, showing monthly breakage.
11. The decoy system (i.e., sample pieces of operating equipment) should be used on dirty dish tables to promote organized stacking of dirty dishes and reduce breakage.

FOOD & BEVERAGE ANNUAL MARKETING PLAN

It is the policy of The Hotel, that each Food & Beverage Outlet Management team prepares an annual Marketing Plan for their respective outlet. The Marketing Plan is the summary of all marketing activities within the Marketing Cycle. The Marketing Plan covers a 12 month period, corresponding with the Annual Business Plan. The Marketing Plan should be reviewed and updated annually and should support the annual business plan.

The Marketing Plan is divided in the following sections :

- Outlet Overview
- Situation Analysis
- Product Analysis
- Objectives and strategies
- Summary Action Plan

The outlet marketing plan should be prepared by the outlet management team and the Assistant Food & Beverage Manager, and should be co-ordinate with the preparation of the Annual Business Plan. The Outlet Marketing Plan should be submitted to the Food and Beverage Manager by June each year.

FOOD AND BEVERAGE PROMOTION CRITIQUE

It is the policy of The Hotel that for each promotion or promotion activity (including public holidays) in the F&B department, a critique is completed by both the outlet manager and the Executive Sous Chef, according to the following format below.

Outlet : _____

Promotion Title : _____

Date and/or duration : _____

Manager : _____

Food and Beverage Statistics

This Year	Last Year	% Different Cover
Rest	Rest	
W/I	W/I	
Total	Total	

Food Revenue			
Average Food Check			
Beverage Revenue			
Miscellaneous Revenue			
Food & Beverage Total			
Average F&B Checks combined			

Comments on Covers & % Difference

Menu (actual copy attached)

Menu Price : This Year _____ Last Year _____

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1. Summarize the promotional activities carried out for the event. Include any gimmicks used to market or sell the promotion.
2. Provide description of the components of the promotion, i.e. what did the promotion include ? Food, Beverage, entertainment, uniforms, table tops, decoration items, etc.
3. Provide details of guest comments regarding this promotion, and make an assessment of the overall response from the customer viewpoint. Did the promotion appear to be successful ?
4. Discuss any problems encountered in the planning and executing of the promotion.
5. Summarize the main costs involved in the promotion. Did it seem to be money well spent ?
6. Provide constructive criticism of the event under the following headings :
 - a. Strengths – what was good about the promotion ?
 - b. Weaknesses – what was not good about the promotion ?
 - c. Opportunities – what more could have been done to improve the overall promotion ?

It is the policy of The Hotel that each outlet manager and executive sous chef prepare a “ Monthly Outlet Objective Evaluation “ according to the formal established. The objective of this report is to evaluate the financial, operational and marketing results, and to comment on the progress of Objectives and Strategies set in the Business plan and outlet marketing plan.