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PURPOSE

To describe the importance of this report and the preparation process involved.

POLICY

The Three Month Forecast is an important management tool which provides an up to date financial picture of where the Hotel stands compared to the annual Budget target. The budget will remain the final measure against which our actual performance will be evaluated, but the forecast is to be used by the Hotel Management to pinpoint areas of potential weakness and allow them time to take remedial action as necessary.

The General Manager will use the Forecast as a measurement tool for assessing the performance of the other members of the Hotel Management team.

The Hotel Controller is responsible for the co-ordination and preparation of the Forecast, but it will be the General Managers responsibility to establish the reporting responsibilities of the various department heads involved and for the final approval of the forecast before submission.

PROCEDURE


A committee will be formed to establish the Hotel's forecast revenue objectives based upon the latest financial information available. The committee will consist of the following individuals:

1. General Manager
2. Financial Controller
3. Resident Manager
4. Food & Beverage Manager
5. Reservation / Front Office Manager

The primary objective of the committee will be to establish the revenue forecast for the next three months in terms of occupancy, average rate, food covers, average spend etc. There will also be an agreement on the rates to be used for establishing the prime variable costs, e.g. Food and Beverage Costs.

The sequence in preparing the report is as follows:

1. Establish occupancy levels, which usually form the basis for most of the Hotels revenue sources.
2. Establish an average rate, by room sales segment and based upon current trends in the market, etc.
3. Establish Food cover sales forecast and average spend, preferably outlet by outlet and based upon current market trends and upcoming promotions, etc.
4. Establish ratios of prime variable expenses, e.g. Food cost and beverage cost.
5. Complete the forecast by inserting all the other expense areas based on latest trends and forecast business volume levels.

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6. Complete the Full Year Forecast column of the report. This column will typically consist of actual months, forecast months and budget months.

If the actual results to date and the Three Months Forecast indicate the Hotel is achieving close to its budgeted results then the budget will be used for the balance of the year in deriving the Full Year Forecast. But if the actual and forecast figures indicate a trend away from the budget then the remaining months will be re-forecasted as well.

7. Once the forecast is complete the Hotel Controller will then prepare a Cash Flow Forecast in a format similar to the one illustrated in the Tool section.

Refer to related subject:	Tool: Monthly Corporate Reporting (Turnover/GOP/Flash) (05.05.007)
	Tool: Cash Flow Forecast Sheet (Yearly) (05.05.009)