

Financial 'Jargon Buster'

Jar-gon Sounds like *jahr-guhn*,

1. the language, especially the vocabulary, peculiar to a particular trade, profession, or group: medical jargon.
2. unintelligible or meaningless talk or writing; gibberish.
3. any talk or writing that one does not understand.
4. pidgin.
5. language that is characterized by uncommon or pretentious vocabulary and convoluted syntax and is often vague in meaning.



Annual Accounts – The summary of the organisation's financial activity for the year. Organisations with annual income over £25,000 should submit these to the Charity Commission. The Charity Commission has guidelines for how charities of different sizes should present their financial information.

Audit - Independent, objective assurance activity, either or a project or its finances.

Back Office Costs – Overhead costs associated with the running of services eg photocopying, printing, telephones, utilities, IT etc.

Beneficiaries - the people the organisation is set up to work with or for.

Break-even point – Fees or grants have to cover the direct costs of the activity as well as contribute towards the fixed costs of the organisation. Break-even point is reached when the total revenue exactly matches the costs of making it and there is neither a surplus nor a deficit.

Budget – The plan for what money you will need to spend on activities. This may be for a specific project or for the whole organisation.

Capital Cost - Cost of buying equipment, furnishing, premises or other items that will last for several years. Computers, Minibus, and new premises

Cash flow – The difference in amount of cash coming in and going out of an organisation, usually estimated on a monthly basis. Its purpose is to ensure that you always have enough cash to pay your bills.

Charitable Funds – Everything that the charity does and uses for charitable activities, includes cash, assets etc. but does NOT include trading activities.

Core Funding - an organisation's central pot of money to cover running costs and overheads.

Cost Allocation - The process of sharing overheads between projects

Cost Driver - Factor that causes a change in the consumption of resources, for example Number of staff, Staff time spent on project, Project expenditure, Floor space used and Time a community centre used

Depreciation - Spreading the cost of purchasing capital items over the length of time it will be in use.

Direct Costs – Those costs which are clearly and directly incurred as result of the project i.e. salary, any equipment that is specifically required for that project, room or hall hire etc.

Fixed Costs – Costs that stay the same no matter how much work is done or services/goods are provided – they cannot be varied in the short term e.g. machinery, building, salaries, rents and rates or f For example, one trainer is required regardless of whether 5 or 10 people attend a course.

Full Cost Recovery – The process of ensuring that all the costs of a project are recovered, whether through funding or charging, to ensure that the proportion of overheads that the project has used are included (such as insurance, office costs, heating, lighting, admin etc.).

Gift Aid - allows charities to reclaim tax paid by UK taxpayers on any donations they make to UK registered charities. This can be done by means of a simple declaration and can increase the value of the donation by 25%

Inflation: How much things go up year by year, usually expressed as a percentage

Management Accounts – The ongoing records of what money a charity has, and what money is coming in to and going out of the organisation. Management accounts should be kept up to date at all times to present an accurate picture of the organisation's financial situation, and should be scrutinised by all trustees at their regular meetings.

Overheads: Costs which are necessary for the organisation to operate but do not relate specifically to one project. Also called: indirect costs/core costs/central costs/support cost. Examples of these include: Office and General Premises cost, Financial management and payroll tasks, Insurance for organisation, Website and internet, Salary of general admin & cleaning staff, Legal and professional fees, Salary of CEO, Training of trustees, Depreciation of assets.

Project: The services and facilities that your organisation provides

Reserves Policy – The amount of money your organisation has which is uncommitted eg not intended to be used for the organisation or its projects. A Reserves policy relates to funds which are maintained in the event of needing to pay for existing commitments in an emergency.

Restricted Funds – Funding/grants which must be used for the purpose for which they are specified (usually by a funder)

Revenue Costs – Costs incurred in the day-to-day running of the organisation and its projects e.g. wages and salaries, rents, rates, insurance, heating, water, training, publications and subscriptions, printing and stationery, phones, minor equipment.

SORP – Statement of Recommended Practice. Audited accounts and financial statement that goes into the public domain.

Unit Cost: The cost to your organisation of providing each unit of production or delivery. Note: unit cost is not the same as the price you might charge for a product/service. For example, Cost per client, Cost per lunch meal, Cost per client per hour, and Cost per hour.

Unrestricted Funds – Funding/grants which are not specified for a particular use.

Variable Costs – Costs that change depending on the level of service or on the volume of the product produced e.g. a project to provide tea and coffee will have the variable costs of the ingredients – the cost of buying these will vary in direct proportion to the number of cups of tea and coffee provided.
Variable Costs: Costs that vary as the output varies. For example, printing of training packs depending on how many people attend a course

For Further support and information contact the **Development Team at Community**

Southwark. We can:

*Help you to identify sources of funding; Help you to complete an application form;
Help you think about how to develop your group (project planning, business planning, collaboration); Help you to develop good governance in your organisation (trustee advice and training); Link you in with other organisations and projects in the borough and much more!*

Contact the development team, Development@communitysouthwark.org.uk , 02073587020

References:

- www.jargonbusters.org.uk
- http://www.dsc.org.uk/portal_products/products/015923/attachments/Look%20Inside%20-%20Voluntary%20Sector%20Legal%20Handbook.pdf
- www.charitycommission.gov.uk
- <http://www.ces-vol.org.uk/?qclid=CMS-gogpi7ECFRIfAodlBo1NA>