



# WHAT TO DO IN A CRISIS

a funding information leaflet from *funderfinder*

If you are suddenly faced with a financial crisis, there are certain things you need to do.

## **Step 1**

Call an emergency meeting of the management committee to look at what has happened and agree what action you will take. Do NOT leave this to workers. The funding of the organisation is ultimately the responsibility of the management committee and it is they who will be liable.

## **Step 2**

Stop all non-essential expenditure - but make sure you know what is essential and what is not (for example, if you owe people wages or owe tax to the Inland Revenue, you have to pay these). Clarify whether this is a temporary problem (for example a short term cash flow problem) or not.

## **Step 3**

You need to make sure that you understand WHY - what has happened to put you in this position? For example, is it due to unforeseen circumstances; poor financial management or poor management of other issues - e.g. buildings, staff, a funder cutting your grant or withdrawing support? Once you have identified what has gone wrong, you can start working on how to put it right.

### ***If a funder has cut or withdrawn support...***

You need to find out why - and what the status of the decision is - as quickly as possible:

- is the decision final or proposed?
- who was responsible for the decision?
- who has the power to overturn it or prevent it from becoming final?
- do you have a written agreement or contract with the funder?
- is there an appeals procedure?

Then you need to start lobbying for support. Who and how you lobby depends on your particular circumstances. It may be advantageous to make a lot of noise, to get the local press on your side, to get your local councillors involved and rally support for a "campaign to save whatever it is". This approach has been successful where the funder has been a statutory authority such as the Council or Health Trust.

It is unlikely to bear fruit with non-statutory funders, however, and even with statutory funders you may need to work more quietly than this, on a personal basis with key people. The campaigning approach can alienate people and you may be better off with an approach which seeks to strengthen your relationship with your funders.

If you want to campaign you need to be sure that it won't back-fire on you - if you receive a lot of attention will you look good from every angle?

In making your case - publicly or not - you need to gather evidence which demonstrates that you do a good job. Do you have:

- a recent annual report
- audited accounts
- statistics about the work you do
- promotional leaflets favourable press coverage
- letters from individuals and agencies supporting your work.

### ***If there is another reason why you are in crisis***

Talk to your current or past funders as soon as possible - they are far more likely to bail you out than anyone else. Before talking to them make sure you are prepared and can explain what went wrong. They will want to know:

- what happened and why
- why you did not see it coming earlier
- what you will do to prevent it happening in the future
- what you need from them to avert the crisis
- evidence that if they bail you out you will survive and be able to do the work they fund you to do.

If poor management is the cause of the crisis - or is a contributory factor - then your funder(s) will need reassuring that the reasons for this are understood and are being addressed. You need to think about how open and honest you want to be with your funder. Your relationship with your funder is based on trust - if things have gone wrong it is often best to come clean and work at putting them right. This approach may elicit a more sympathetic response than if you cover up and are later found to have misled them.

Your relationship with the particular funder is crucial here and only YOU can decide how to approach this.

### ***Finding funds***

A time of financial crisis is NOT the time to approach new funders: your existing or previous funders are far more likely to be willing to look at helping you at a time of crisis than anyone else. Your local authority may have a fund to help groups in crisis - talk to your local CVS (Council for Voluntary Service) or Voluntary Action about what help might be available. If you have to consider closing down make sure you know what you have to do. Your local CVS might have someone who can help with this, or help you look at a rescue package.

### ***Useful books***

*Voluntary but not Amateur*, by Ruth Hayes & Jackie Reason, pub. DSC, 8th ed., 2009, £35, ISBN 978 1 906294 07 6. Chapter 10 has useful advice and guidance on closing down an organisation.

*Defending Local Grants*, pub. NAVCA. A resources to help you to convince councillors, commissioning officers and procurement professionals that grants should continue to be used to fund local organisations and groups. Download as a pdf from:

[www.navca.org.uk/publications/defendinggrants/Home.htm](http://www.navca.org.uk/publications/defendinggrants/Home.htm)

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