



DON'T PANIC – WHAT TO DO IN A FUNDING CRISIS

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

STEP 1

Call an emergency meeting of your management committee to look at what has happened and to agree what action you need to take. Do not leave this to workers. Your finances are 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 the problem is just a temporary one (for example, a short term cash flow problem) or not.

STEP 3

You need to make sure that you understand why you are in the crisis – what has happened to put you in this position? Reasons may include:

- Unforeseen circumstances like a funder suddenly cutting your grant.
- Poor financial management, for example the committee failing to check the budget regularly.
- Poor management of other issues, like carrying on employing staff knowing there isn't enough money for salaries.
- Building work costs getting out of hand.

Once you know what has gone wrong, you can start working on how to put it right.

STEP 4

If things are looking really bad you may need to call an emergency meeting of your members (see what your constitution says about this). You may also need to get legal advice, for example, on insolvency.

If a funder has cut or withdrawn support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. You might want to make a lot of noise and to get your local councillors involved and rally support for a campaign to save whatever it is. Make sure you contact and enlist the support of users, clients and other agencies.

Your campaign can include things like press releases, public meetings, petitions, letters of support and publicity stunts to attract media attention.

This approach has sometimes been successful where the funder has been a statutory authority such as the Council or Health Authority.

However, it is unlikely to be successful with non-statutory funders.

The campaigning approach isn't always the best one as it can alienate people and you may be better trying an approach that seeks to strengthen your relationship with your funders. So, even with statutory funders, you may need to work more quietly and perhaps on a personal basis with key people. If you want to campaign you need to be sure that it won't backfire on you – if you receive a lot of attention will you look good from every angle?

In making cases – publicly or not – you need to gather evidence that demonstrates that you do a good job. Do you have:

- A recent annual or interim report;
- Audited accounts;
- Statistics about the work you do;
- Promotional leaflets;
- Favourable press coverage; or
- 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.

But 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. Most funders will be more sympathetic to this than if you cover things 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.

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 help 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 Council for Voluntary Service about what help might be available from the Council.

If you have to consider **closing down** make sure that you know what you have to do. Check your constitution. If you employ staff look at their contracts of employment. Seek legal advice and help if necessary. Again, your local CVS might have someone who can help with this, or help you to look at a rescue package.

Useful Books

Voluntary but not Amateur by Jacki Reason, Ruth Hayes and Duncan Forbes

The Campaigning Handbook by Mark Lattimer

The Voluntary Sector Legal Handbook by Sandy Adirondack and James Sinclair Taylor

The Good Campaign Guide by Brian Lamb, NCVO

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