



CRISIS MANAGEMENT

1. What to do in a financial crisis

If the crisis is a financial one there are certain things you need to do:

- Call an emergency meeting of the management committee to look at what has happened and decide what action to take. Do not leave this to workers. Funding is the management committee's responsibility and they will be liable. Look at your constitution's extraordinary powers.
- Stop all non-essential expenditure. Make sure you know what this means e.g. if you owe people wages or owe tax to the Inland Revenue you must pay these.
- Clarify whether the situation is temporary or more serious.
- Work out why you are in this position. Is it due to unforeseen circumstances, poor financial management or other issues – buildings, staff, being turned down for a grant etc. When you have understood what has gone wrong, you can start to work out how to put it right.
- Has your grant aid been cut? In this case you need to find out whether you might get support to reinstate it – talk to local councillors, council officer and HVDA.
- Did you apply for future funding early enough or did your applications fail? Firstly you need to work out whether you have enough money to tick over while you start applying for alternative funding, then you need to get some feedback on your applications and why they were unsuccessful before sending in any more. HVDA can help with this.

If you have a good relationship with your current and previous funders, it might be worth talking to them to see if they can help you in the medium – short term. Bear in mind that you will need to demonstrate a good understanding of what has happened.

Before talking to them make sure you are prepared, 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 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 contributed to it, then you will have to make sure you can show that the reasons for this are understood and have been addressed. You need to think about how open and honest you want to be with your funder. Your relationship with them is based on trust, if things have gone wrong it is often best to come clean and work at putting them right. Think about how your organisation will look if you attempt to cover a problem up and are found out at a later date.

Remember

Your relationship with the funder is crucial and only you can decide the best way forward.

A time of crisis is not the time to approach new funders. You must consider all your options. If you have to consider closing down or realise that you could have no option, make sure you know what this would involve – talk to HVDA.

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