

What to do in a financial crisis

Finding out that the survival of your group is in doubt is a difficult and stressful situation for your Board or Committee, your Staff and volunteers, and the people you support. This information sheet can't cover everything but will give you somewhere to start. NB; It's aimed at smaller Unincorporated Associations and Registered Charities or CIC's without major assets. If you are a larger organisation you will certainly need additional information and support, and even a small organisation may find professional legal support useful.

If you don't currently have, or you are close to the point at which you will not have enough income or reserves to meet your liabilities (the current and future costs you are committed to) you must start the procedure to shut down immediately, as to continue to operate when insolvent is illegal.

What should we do?

Get your committee together straight away so that you can discuss the situation and come to a decision on whether or not to close. This will be a difficult decision to make, whatever you decide. Closing your organisation is a big and distressing step to take but keeping things going means a lot of extra work and commitment, so be honest about how much energy you have for the task. A sensible, planned closedown will be much less distressing for your members and community than if you just crash and burn because you took on more than you could cope with.

There are a lot of things to consider when you make your decision, but focus on;

- What is our current financial situation? Are we absolutely clear about it or do we need further information - for example, would you face a financial penalty if you left your premises immediately?
- Are we still really needed?
- Can we prove we make a difference?
- Do we have a good track record and reputation?
- Could the people we support get good help elsewhere?
- Do we have any reserves we can spend?
- Do we have the energy and personal resources to keep going?

However difficult it is you need to be hard-headed about your decision and try not to be affected by your concerns about the needs of volunteers and staff. You won't get further funding just on the basis of keeping them employed, only on the basis of how necessary and well-run you are. A key task is to keep talking to, and consulting with, your staff, volunteers, members and clients. You'll also need to keep other stakeholders informed so that they can offer support and think about the possible effects on their own service if you decide to close.

If you decide to close

For an orderly closedown to happen there are several responsibilities that Committee members need to take on. These are summarised in the Charity Commission website guidance for all types of registered charitable organisations. <https://www.gov.uk/guidance/how-to-close-a-charity>.

For very small, unregistered groups you should make sure you have paid all your debts before closing, then transfer any remaining assets to another asset-locked organisation (charity or CIC) with the same aims as you. You will then need to arrange for your financial records to be stored for six years after closedown (if you have had any grant funding in the past year).

For CIC's, the closedown process is described here;

<https://www.gov.uk/government/publications/community-interest-companies-business-activities/cic-business-activities-forms-and-step-by-step-guidelines#voluntary-dissolution-of-a-cic>

If you decide to keep going

Even if you do decide to keep going your first job is to check out your legal position and review what to do and when to ensure an orderly closedown - just in case. See the information above for guidance on this. Your next priority is to think about how you are going to communicate with all your stakeholders, but particularly with Staff, volunteers and beneficiaries. They will hear things "on the grapevine" so you need to get in there with a realistic, clear and positive message so that they know what's happening and are more likely to stick with you through the challenging time ahead. Keep talking and listening so that they feel part of the process.

What are our options?

So, you've decided to keep going but how will you do this? There are several different options, and you may use more than one depending on your size and circumstances.

- Plan to rely on spending your reserves until other funding arrives. If you do this it is essential that you put together a forecast of income and expenditure for the year to come so that you are absolutely clear about when your reserves will no longer be sufficient.
- Cut back what you do to the level where you can keep going for longer on your current funds. This could involve closing a project, and/or cutting core costs - moving to a smaller base, for example.
- Keep going with no external funding at all, a possibility for very small groups.
- Merge with another group to make a stronger organisation with better prospects.



- Build a new funding strategy and make applications to other funders. Please note that you are extremely unlikely to get this funding in under 6 months and your only chance of being offered “emergency” funding is if you offer a vital service to extremely vulnerable people and can prove you are still a viable and well-managed group.

Voscur is a council for voluntary service and a development agency for the voluntary, community and social enterprise sector in Bristol. This information is intended for general guidance only, not as a legal document. We recommend seeking legal advice where necessary.

We deliver **training** on different aspects of running a VCSE organisation. Follow this link to our VCSE Academy to look for upcoming courses: <https://www.vcseacademy.org/courses/> We can also offer bespoke training for your organisation, so do get in touch to discuss your training needs.

Voscur is here to **support** VCSE organisations. For support, advice and guidance on how to apply this information in your particular circumstances, please contact us: info@voscur.org 0117 909 9949



Voscur is a registered charity (No. 1148403) and company limited by guarantee (No. 3918210). VAT No. 974 3387 81