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# The FAS Sheepstock Club



The European Agricultural Fund  
for Rural Development  
**Europe investing in rural areas**



**Scottish Government**  
Riaghaltas na h-Alba  
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## Review Guide

This guide has been produced to assist sheepstock clubs in reviewing how they operate and are structured. The “step by step” workbook provides a logical framework which identifies where certain processes need to be changed and updated, or where procedures are missing.

### Why is a review needed?

Most sheepstock clubs were formed after the First World War to provide additional income for crofters. Traditionally all the crofters in one or more local townships were allocated a share in the sheepstock club as part of their crofting tenancy. Each crofter was then expected to help look after the flock in return for an annual share of the profits. However, this level of community involvement has now reduced significantly reflecting the changes in modern day crofting. An increasing number of sheepstock clubs are now run by a minority of active crofters. The passage of time has also meant that many clubs now operate with an outdated legal structure and rules which bear little relevance to current practice. This guide is designed as “a first step” pathway to help sheepstock clubs review and modernise their operations and legal structure in line with current business and legislative requirements.

### Who should complete the review?

Firstly, it is important that all the crofter shareholders in the club are advised that a review process is to be undertaken. This is to allow any member to make representation regarding the operation of the club. If the sheepstock club committee is quite small, say less than five members, then the full committee might want to engage in the review process. If the committee is larger, it might be wise to select a sub-committee or task group of three to five people to undertake the review. It is also good practice to include the clerk, secretary and treasurer in the review process along with keeping a list of those who have been consulted. In some cases, the club may commission an external organisation to undertake the review. In all cases the findings of the review should be made available to the full committee and all shareholders.

<b>Name of club</b>	
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### Review Group members

<b>Chair</b>	
<b>Vice</b>	
<b>Member</b>	
<b>Member</b>	
<b>Member</b>	
<b>Secretary</b>	
<b>Treasurer</b>	

*Add or delete as required*

## Getting started

The key to any review is for the group to start by asking itself some basic questions about where the sheepstock club wants to be in three to five years. Whilst this may seem fairly obvious and straightforward, in many cases it is often the most problematic and difficult part of the review. The task group might want to consult more widely with other shareholders to get a better understanding of their views.

Ultimately some challenging decisions may have to be made regarding the options, such as continuing with “business as usual”, increasing the flock size, changing how the club works and is structured, amalgamating with another club or in extreme cases dissolving the club. On occasion, external facilitation might be required to help find an agreed way forward.

The first fundamental question is “does the club wish to continue in business”?

Yes	No

If no, expert legal advice should be engaged to dissolve the club. If yes, what are the key objectives?

Key objectives

Normally the first task is to identify some key objectives going forward. These would be the key things the club wants to achieve in the next three to five years. Usually there would be more than three but less than ten objectives just to keep the process manageable.

**Examples of some key objectives are listed below – please rank your club’s objectives in order of priority –**

	Key Objectives	Rank in Order of Priority
1	Increase, decrease, maintain (delete as appropriate) flock size	
2	Introduce new breed improvement programme	
3	Develop enhanced animal health and husbandry practices	
4	Introduce new flock management systems	
5	Develop new markets	
6	Access further skills training	
7	Plan for next generation succession of crofter members and committee members	
8	Reward active crofters	
9	Build new handling facilities or fencing	
10	Improve wildlife and biodiversity	
11	Engage in environmental schemes	
12	Diversify into other activities	
13	Others not listed above -	
14		
15		

*Add or delete as required*

Once the priority key objectives are established it is much easier to develop the most appropriate operating procedures and legal structure.

## Skills Development

	Yes	No	Action
Does the committee have the "right mix" of skills and experience?			
	<b>Notes/Comment</b>		
Make a list of skills within the committee			
What skills (if any) do the committee wish to acquire and/or develop			

## Governance and Administration

Key questions for the club to consider -

	Yes	No	Action	
Do all committee members know their role and responsibilities?				
Does the club committee have a close working relationship with the grazings committee?				
Do all members of the club have the opportunity to participate in, and make contributions to the workings of the club?				
Are the chair, vice, treasurer and secretary elected annually and are there time limits on post holders?				
Do you feel the committee and the members meet regularly enough?				
Does the committee have procedures to deal with -	Yes	No	Not sure	Action
Business planning				
Financial control				
Emergencies				
Member and committee issues				
Returns and administration				
Skills and training				
Health and safety				
Risk assessment				
Others not listed -				

Does the committee receive adequate information on club expenditure and income?				
Are all the following kept up to date –				
Livestock records				
Annual returns				
Insurance policies				
Committee minutes				
Other -				
Other -				

## Assets and Finance

It is important that the club keeps a good record on its assets and financial position.				
	<b>Yes</b>	<b>No</b>		<b>Action</b>
Does the club have a yearly profit & loss and balance sheet?				
Does the club have an asset register including a flock count at year end?				
Does the club have spending limits and signatory authorisation levels?				
Do you have a recording system for purchases including feed and medicines?				

## Membership and Communication

Does the club have an up to date register of shareholder members?	<b>Yes</b>	<b>No</b>	<b>Action</b>		
Do inactive or absentee members receive a dividend?					
How often does the committee keep members informed as to club activities?	Weekly	Monthly	Annually	Ad hoc	Never
Does the committee have a dividend policy?	<b>Yes</b>	<b>No</b>	<b>Action</b>		
When was it last reviewed?	Date -				
When was it last communicated to members?	Date -				

## Operational Matters

	Yes	No	Action	
Do you have a plan for annual sheep activities				
Do you have other enterprises over and above the sheep?				
If yes, do you have an annual plan for these?				
Do you have an annual submission plan for required government forms such as-	Yes	No	N/A	
IACS				
SUSS				
Agricultural census				
Agri-environment				Action
Does the club have a Health and Safety policy?				
Are the members, workers and any volunteers' roles and responsibilities clearly defined?				
Are contractor payments agreed?				
	Yes	No	Action	
Do you have a QMS and/or a plan agreed with your vet. for animal health?				
Are all actions in the plan carried out?				
When was it last reviewed?	Date			
Do you have an agreed system for all livestock sales?				
Do you have an agreed system for all livestock purchases?				
Are there contracts in place for club members and voluntary workers?				
Are there contracts in place for external contractors?				
Does your Health and Safety policy include club members and voluntary workers?			N/A	
Does your Health and Safety policy include external contractors?				

Further guidance on governance can be found in –  
SAOS / Co-ops UK - Corporate Governance Code for Agricultural Co-operatives

## Legal Structure

It may seem a rather odd question, but before looking at legal structure – is the name of the club still appropriate? The reason for asking this is that the gazing area or something else might have changed over time and the club might want to take this opportunity to change its name.

In terms of the legal structure there is no single definitively right structure for sheepstock clubs – it is a question of getting the most appropriate “best fit” for the individual club circumstances. There is no “one size fits all” legal structure. Notwithstanding, it is useful to assess some basic considerations.

In general terms, unincorporated means that all members are jointly and severally liable for the outstanding debts of the group. Limited liability, either through a co-operative or company, means that shareholders’ liability is limited to the value of their shareholding.

The traditional and most common legal structure for sheepstock clubs is the co-operative. This can sometimes be called a society or mutual but either way they are all co-operatives. In some cases, the formal co-operative has lapsed and been replaced by a “loose” informal group, which may or may not have a written constitution.

Rather confusingly, the overarching document in an unincorporated business is called a “constitution”; in a co-operative it is called “rules” and in a company it is called “articles of association”. For the purposes of this workbook we shall call them all “constitutions” for the sake of clarity.

Please tick which legal structure you have -

Unincorporated		Incorporated			Other
Informal (no constitution*)	Formal (with constitution*)	Co-operative	Company limited by shares	Company limited by guarantee	Don't Know

If you are unincorporated, or don't know, do you intend to do any of the following? –	Yes	No
Own property and/or enter into contracts		
Limit personal liability e.g. for debts		
Share risk more evenly amongst members		

If you have answered “yes” to the above questions, you would be advised to seek specialist advice on whether to become an incorporated body. If “no” please continue.

## What does being an Unincorporated Group involve?

This can be a difficult decision, particularly for the smaller, “close knit” clubs. It is important to remember that if the club chooses to operate as an unincorporated group, all members are jointly and severally liable for the debts of the club. This is something that would have to be carefully considered and expert legal advice taken in support of that decision.

Notwithstanding, some smaller clubs might choose this option to avoid them having the costs and administration associated with a formal incorporated legal structure such as a co-operative or company. If this option is chosen, the club should have a written constitution, robust financial controls in place to avoid any unauthorised overspend and be adequately covered by a valid public and employer’s liability insurance.

Further advice and model constitutions can be found at -

Write your constitution -

<https://scvo.org.uk/support/setting-up-a-charity/write-your-constitution>

Unincorporated coop model

<https://www.uk.coop/resources/model-governing-documents>

## Co-operative or company?

Historically sheepstock clubs were set up as co-operatives (historically called societies) and, whilst that may still be the most common model, converting to a company is still an option.

Primarily, both provide for incorporation as limited liability entities. However, the basic objective of a co-operative is to provide essential services to provide benefit to members whereas the primary objective of a company is to return value to shareholders. Whilst these objectives might seem fairly similar on face value, there is a difference in terms of the co-operative principles and procedures that underpin how a co-operative operates. It is also generally written in less legalistic language. Companies tend to follow a standard legal model(s) which is underpinned by the full body of corporate law.

It would be expected that unless there has been some material change in circumstances most clubs might chose to stay with their existing structure albeit they would be advised to update their constitution.

A full discussion as to the difference between a co-operative and a company is outwith the scope of this workbook. However regardless of which legal structure is preferred it is vital that expert legal advice is taken at this stage to ensure full compliance with all legislative and regulatory requirements.

Advice and guidance on forming a co-operative or updating co-operative rules can be found on -

[www.saos.coop](http://www.saos.coop)

[www.uk.coop/the-hive](http://www.uk.coop/the-hive)

Advice and guidance on company formation or articles of association can be found at -

<https://www.lawscot.org.uk/for-the-public/what-a-solicitor-can-do-for-you/starting-a-business/>

<https://www.gov.uk/topic/company-registration-filing/starting-company>

## Club members agreements and operating procedures

Once a group has decided which legal structure best meets its needs, consideration should be given to writing a members' agreement. It is important to check that your constitution makes provision for a members' agreement. A members' agreement is basically a secondary agreement, usually written by the committee, which lays out "what the member can expect from the club and what the club expects from the member". It is like club rules in organisations like golf clubs. This can be a very useful way for the club to lay down its procedures and how the club should operate. It can also specify what is required in terms of member contribution. It is good practice to have a members' agreement and it need not be a long and legalistic document. Many members' agreements are "one page" written in plain English which helps both the club and the member have a common understanding of what is required. It is important to frame this as a general statement of intent between the club and the member rather than a formal legal contract to avoid getting overly involved in contractual issues.

The following headings may be considered when drafting a members' agreement –

1	Name of club and name of member
2	Relevant extracts from common grazings regulations
3	The role and powers of the committee
4	Any specific tasks, contribution and time commitment required from the member.

5	Any specific standards, processes and procedures required in terms of livestock management and marketing
6	Health and Safety procedures and requirements
7	Voluntary unpaid time commitment, contract day rates payable, any other plant and labour rates payable
8	Allocation of profits and annual dividends payable
9.	Termination and dispute resolution

The members' agreement might refer to an operational annual calendar of club activities. For example - a typical High-lands and Islands sheepstock club -

Month	Activity
January	Complete gather; take tups back in; dose ewes; stock tups back to grazings; cast tups to sale and mineral blocks out.
February	Mineral blocks out; machinery maintenance
March	Mineral blocks out and lean ewes fed.
April	Mineral blocks out; hoggs returned dipped, dosed and put back to their hirsels and lambing duties.
May	Lambing duties
June	Marking lambs and ewes dosed.
July	Clipping.
August	Ewes dosed; ewe lambs selected and tagged; store lambs tagged and sold.
September	Cast ewes sold; stock ewes dipped and dosed.
October	Ewe lambs dipped, dosed and sent to wintering; tups purchased.
November	Tups out.
December	Mineral blocks out.

Thank you!

Thank you for taking the time to go through this review workbook and hope you have found it helpful. We do appreciate that some elements of the book might be relevant to some clubs and not to others. Very often local circumstances and relationships make it difficult to be overly prescriptive and formal in written arrangements. However, hopefully the checklists and headings will be useful in reviewing how your club works and can be used for your revised operating procedures and legal structure.

The Farm Advisory Service would be glad to receive any queries arising from this workbook and welcome any suggestions as to how it can be improved.

Date of Next Review -----

(We recommend that this is done every 5 years at a minimum)

Thank you!