

# So you want to... set up a livery yard?

Adding horses to a working farm can be a good fit. **Lauren Harris** chats to experts in the sector and a farmer with his own yard about the pros and cons

Daniella Kilsby-Steele from Bidwell's rural team explains all the business considerations farmers need to take into account when diversifying into the equine market.

**Q What is the market like?**  
Demand very much depends on location, with the most successful yards being within the proximity of a reasonably sized population centre.

The first step when considering setting up a livery enterprise should be to write a business plan – this process should begin by researching local demand and assessing your competitors and their pricing structure.

Livery services can vary from simply providing grazing to DIY livery, part and full livery.

**Q Are there any grants available?**  
Currently, no national funding opportunities are available, although it is worth consulting your local authority as there are some local grants in certain regions.

We anticipate there may be some employment-focused funding available in the future, but this is not guaranteed.

**Q What about costs?**  
Your business plan needs to be realistic about the costs. Running a livery business will involve substantial overheads, including staff costs, business rates, insurance and property maintenance costs. Depending on your situation you may also have mortgage or rental payments.

Day-to-day running costs will include electricity, water and wages. For part and full livery, you may also supply hay, feed and bedding within your prices.

In terms of start-up costs, this will depend on what you have already and the type of livery service you are looking to offer. For a DIY service, you will need more storage space than you would for part or full livery.

To achieve higher prices, you will need better facilities, such as an arena with floodlights, stables, washing areas, a secure tack room and individual turnout areas.

If your land is not already in equestrian use, you will need to apply for planning permission and factor in any planning and building costs.

**Q What are the planning considerations?**

In order to set up your livery business, you will need to obtain planning permission for the change of use of land and/or buildings to equestrian use, or for the construction of new buildings.

If you have existing stables, make sure they are not restricted to personal use through a previous planning condition. Remember, all aspects will require planning permission, including floodlights, cross-country jumps and manèges.

Obtaining planning consent for a livery yard can be challenging, particularly if you are within the green belt, a conservation area, area of outstanding natural beauty or national park where new development is often resisted.

While farm diversification is largely supported by planning policy, there are many constraints that will need to be addressed when applying for permission, such as highways issues, parking, access to public transport, effects on the rural area through the creation or change of use of buildings, conflict with agricultural uses and so on. So it is always best to seek advice from a consultant before submitting an application.

Equestrian use qualifies as "brownfield" (previously developed) land, so can offer longer-term potential for redevelopment of a site. This could be for residential or

## ACCOUNTANCY ADVICE

A livery yard can be quite time-consuming as a form of diversification, but the market is definitely there, says Julie Butler, joint managing partner of Butler & Co Chartered Accountants.

To make it successful, determining what type of yard you want early in the process and attracting suitable clients is vital.

Having an interest in horses is also an advantage, as the margins can be tight, and staff can be difficult to find.

"Polo ponies on grass liveries over the winter pays well and

suits the farming mentality better, because it's livestock and grass and interested owners who want to get involved," says Ms Butler.

"At the start, the infrastructure cost can outweigh the income, with putting in stables and paying wages, if you're not doing it yourself."

## Income tax

As with all trades, an equine business must be trading on a commercial business with a view to making a profit, if it wishes to claim tax relief on trading losses.

The equine taxpayer has to

be able to prove that there is a reasonable expectation of profit from the trading operation.

## VAT

The VAT treatment is complicated, because there can be different levels of tax applied across the business, depending on the services offered.

The supply of grazing is zero-rated; the supply of stabling is exempt; and full livery is standard-rated.

"Decide what you're going to do, create a business plan, and sit down with an accountant to work it all

out," says Ms Butler.

"There is a lot of specialist knowledge required and every equine client should be considered on a case-by-case basis."

## Inheritance tax

The long-term tax implications of any diversification need to be considered carefully.

To get inheritance tax relief on a livery business, lots of services are required. DIY liveries have no inheritance tax advantage as they do not allow the landowner to qualify for agricultural property relief.



Yards can offer part, full or DIY livery but these attract different VAT rates

commercial use, so a livery yard can be a good stepping stone to maximising development opportunities.

**Q What about insurance?**  
Most insurers will offer a standard livery-yard package, which will include employer's liability, public liability and care, custody and control [a liability insurance exclusion that removes indemnification for the insured when property is in their care]. Property and contents can normally be taken as required.

**Q Any other considerations?**  
Your livery clients may well work full time and will need to access their horses out of normal working hours, especially if they are out competing.

Livery clients may also be demanding, and yard politics are difficult to avoid. It is important to be selective about who you allow on to your yard and to have some good ground rules in place.

Running the yard yourself may reduce external costs, but the cost of your own time should be included in your business plan. External staff will need experience with horses of all types and will need to be willing to work long hours. Reliable and experienced staff are invaluable to your reputation.

Pricing of services will be a fine balance between making a profit and being affordable for your clients.

You should consider conflicts with other uses on the farm – horses are flight animals and can easily be frightened by large farm equipment.

Good people skills are also invaluable, as you will not only be looking after horses, but their owners too.

Biosecurity is an important consideration, particularly if there is a high turnover of horses. There are many contagious equine diseases that can be picked up at horse shows or passed on through people, so having strict vaccination policies is advised.

**Q How to add profit?**  
Sales of hay, feed and straw may boost profits, and services such as sales and schooling can generate additional income, if you or your staff have the expertise.

Identifying your unique selling point (USP) and marketing this to your clients can justify higher prices. Your USP may be access to off-road hacking, unlimited turnout, proximity to local shows, or the high quality of your facilities.

**Q What about legal agreements?**  
For many livery yards, the client-owner relationship is quite casual. However, we would recommend putting agreements in place with your liveries to ensure both parties fully understand their responsibilities.

A licence should only be needed if you are offering lessons.

# Strike the right balance between farm and livery

James Seller's livery yard at Park Farm in West Sussex has been a work in progress for about 30 years.

A fourth-generation tenant on the 365-acre mixed farm on the Duke of Norfolk's Arundel Estate, Mr Seller offers about 30 livery places alongside his arable and Sussex suckler herd enterprises.

Yard manager Vicki Stock runs the livery business six days a week, allowing Mr Seller to focus on farming and overall strategy.

The yard offers plenty of facilities, including an outside school, grass gallops and miles of off-road hacking, but the team are always thinking of improvements, such as adding more staff members to assist the owners.

"A local doctor wanted to keep horses up here so that was the reason it started," says Mr Seller. "We started with grass livery, then added stables to assist with the grazing management. We need to balance the requirements of the horses with ensuring the fields aren't being ruined."

## Planning

Mr Seller has converted old cattle and lambing sheds into stables in a series of small expansions, and turned some land into a 40x20m sand school, which he later expanded to a 50x25m arena.

The school was the single biggest cost of the equestrian business but is also its biggest selling point, he says.

He recommends using professionals who will assist throughout the entire planning process and work out any issues in advance, and any agricultural or local knowledge is a bonus.

"Having someone on board for that is worth every penny, I don't begrudge spending any money on that," he said.

"My last planning application was less easy, they don't come out to view the site anymore

and I had to spend an extra £1,000 for a valuation drawing for the sand school. The whole thing would have been a lot more expensive without professional help."

Most of his customers have urban backgrounds, so he has experienced some difficulties with working with them, such as explaining the need for the horses' paddocks to be rotated for grassland management purposes.

## Business

Currently Mr Seller has 19 DIY customers and three full liveries, and can host up to seven horses in the converted lambing shed, which is separate from the rest at the top of the farm. Some customers like the quieter atmosphere up there and some prefer to be in the thick of it with everyone else, he explains.

DIY customers are provided with a stable, some grazing and a set of rules for the unit, and otherwise look after themselves. Extra services can be added to this package on request.

Hay and bedding must be bought from Mr Seller, to prevent any contamination of his arable land. He also used to supply feed concentrates but these had low margins.

Horses can be taken care of for seven days a week on the full livery package or five days a week with part livery. This means the team will turn the horse out and bring it in, clean the stable, and feed it, with hay, bedding, feed and wormers included.

"Having a manager here makes it easier for the customers to be independent if they want to be, knowing we could help out, rather than forcing them to work together," says Mr Seller.

"Vicki is the second manager I've had and has been here for three years. Before if there was an issue I was having to resolve it."

The next big leap for the business is to find and maintain three stable workers to cover any holiday and sickness leave. □



**FARM FACTS**  
Park Farm in West Sussex  
□ 365 acres  
□ Arable and 54-head Sussex suckler herd  
□ Livery yard offering about 30 places

## YARD FACILITIES

- Miles of off-road hacking
- 50x25m floodlit outside school with specialised Flexiride surface (all-weather rubber alternative over sand, which needs less maintenance)
- Two secure tack rooms
- Refreshment area and toilets
- Grass gallops that link with bridlesways
- Full, part, DIY and DIY-assisted livery
- Rug driers
- Warm shower for horses in winter

## VIDEO

Find out more about James Seller's set-up in Sussex by watching our video on [www.fwi.co.uk/livery-yard](http://www.fwi.co.uk/livery-yard)



## ADVICE FROM JAMES SELLER

- This is a mature industry so you need to see if there's a market.
- The Highways Agency can put a stop to plans immediately. Make sure it's on board or don't start.
- If you have buildings to convert and just need to add divisions, you could see a three-year payback. Adding a barn to a vacant site will cost more and you'll have to do it all in one hit, rather than in phases.
- The market is always changing and you have to adjust and be aware of what others are offering.
- Sand schools are a big selling point, especially indoor ones. Groundwork will eat up a large amount of money. It can be as expensive a project as you want to make it. Don't cut corners but you can throw too much money at it.
- Know what your clients want and provide for that. We looked at putting jumps out, but our customers didn't use them.
- Get pricing right - are you in a hunter or polo area, or near a big urban area? If people will pay for convenience, you can charge more, but they will expect more facilities.
- If you're a tenant, you have got to have the landlord on board.

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David Holdcroft,  
Houndings Lane Farm, Sandbach



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Should you diversify?  
What to consider



New farm enterprise:  
Know the legal issues