

## Finance & Staffing Committee

### Operational Issues – April 2022

#### 1. Rebated Fuels:

- 1.1 From 1 April 2022, most machines, vehicles and appliances will no longer be allowed to use rebated (red) diesel and rebated biofuels. Instead, rebated fuel use will be limited to certain vehicles, vessels, machines and appliances when used for specific purposes. A mix of chemicals is used to mark the diesel, and this includes a visible red dye. Mowing machine is an approved vehicle for the use of rebated diesel however this only applies if it is used for certain defined uses.
- 1.2 It was anticipated that public open spaces would be exempt as they would be classified as horticulture. However the Government definitions are such that the majority of Parish Council machines that previously used red diesel, will now have to switch to standard white diesel.
- 1.3 Certain types of vehicle and machinery, when being used for a particular purpose, may use rebated (red) diesel. These are known as 'excepted machines'. This includes agricultural vehicles and special vehicles but only when they are being used for qualifying purposes for example: for agriculture, horticulture, aquatic farming or forestry. The Guidance states that an agricultural vehicle may use rebated diesel only when being used for: purposes relating to agriculture (including aquatic farming), horticulture or forestry. However the Guidance also states that this includes cutting verges, hedges or trees that border public roads.

#### Guidance:

- 1.4 Relevant extracts from the HMRC Guidance are as follows:

If you work somewhere that is not a garden, such as playing fields, a livery yard, stables, at the side of the road, on someone's private land, then this is not horticulture and, the vehicle or machine you use is not an 'excepted machine'.

#### **Meaning of 'purposes relating to horticulture'**

In our view, horticulture is the cultivation and management of gardens (including vegetable plots, allotments and market gardens, but also flowerbeds, trees, shrubberies and ornamental lawns in public parks). By cultivation and management, we mean growing and tending flowers, lawns, shrubs and trees, and harvesting flowers, fruits and vegetables for food (or

animal fodder) and for ornament, as well as treating and enriching the soil and controlling weeds and pests. But, we do not regard as horticulture the landscaping and maintenance of grassy recreational areas, such as playing fields and golf courses, or the grassed areas of parks that are made available for walks, picnics and general recreation.

Examples of activities that are not purposes relating to agriculture, horticulture or forestry:

- Sports fields and recreational areas.

Maintenance of grassed areas such as sports fields and recreational areas, is not regarded as horticulture.

### Compliance

- 1.5 For those vehicles, machines and appliances allowed to use rebated fuel up to 1 April 2022 but not after, there will likely be a period between the rules changing and the rebated fuel in the internal tank or engine of the machine being used up. HMRC acknowledges that due to the requirement to maintain minimum fuel stock levels for safety reasons and operational requirements, fully duty-paid fuel may be put into and mixed with existing stocks of rebated diesel in the tank. As such, there may be a red indicator in the tank beyond 1 April 2022. The fuel storage tank has been emptied of red diesel prior to 1 April 2022, however, providing the Parish Council has evidence that it has purchased and operated with taxed fuel from this date, this should not be a problem.

### Financial Implications

- 1.6 For the grass cutting season ahead, the Parish Council will need to switch to non rebated fuel. The cost of refilling the tractor and mowers in 21-22 was in the region of £5000. For 22-23, this will rise to approximately £13,000. Direct supply can be supplied directly at a current price of £1.60 per litre plus VAT compared to previous prices in the region of 60 pence per litre for red diesel. The cost at the pump is in the region of £1.44 plus VAT. The Parish team need access to the diesel at the depot to ensure that there is efficient refuelling however this will be reviewed on a monthly basis.
- 1.7 The Parish Council's expenditure for fuel (includes petrol and all diesel) in 21-22 was £14,903 and a budget for 22-23 was set at £22,000. It is highly likely that this budget will overspend in the current financial year but this will largely be dependent on whether diesel/petrol at the pump prices escalate.

### Future Considerations

- 1.8 It is possible that the Guidance will allow for rebated fuel to be used in the winter shrub reduction programme as this is a closer fit to the definition of cutting hedges and trees that border public roads. However, it will need further consideration as there are complexities in operating dual functioning machines.

It is possible that as and when a new smaller tractor is purchased, that this is operated within the HMRC guidance for rebated fuel. This would restrict its potential uses and as a result, this restriction might outweigh the benefit of cost reduction. The Parish Council would also need to consider installing an extra tank for red diesel. In the previous Winter months, the fuel storage tank was not refilled and the tractor operated only on fuel remaining in the tank at the end of the grass cutting season. Whilst the HMRC has detailed some expectation that the transition away from red diesel will take time to fully lose all traces of red dye, it is a risk to expect leniency to be applied in future years if a single tank is used for both fuels.

## 2. Recommendations

- 2.1 That this Committee notes the changes to use of rebated fuel.
- 2.2 That this Committee notes the financial implications of the changes.

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Appendices:

None. Link to Government Guidance: [Using rebated fuels in vehicles and machines \(Excise Notice 75\) from 1 April 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/using-rebated-fuels-in-vehicles-and-machines-excise-notice-75)