

Establishment and Control of Revolving Funds

The following outlines the nature and purpose of revolving funds and their control and financial management requirements.

Revolving Funds

Revolving funds are established through legislation to account for specific government operations that recover all or a portion of costs from users. The revenue generated by the revolving fund is used to finance its operations which in turn generate further revenue, hence the term “revolving fund”. They are financed through the General Revenue Fund (GRF) and have continuing authority to make payments out of the GRF for specific purposes as defined in legislation, and to recover these expenses from users. The receipts generated are available for re-spending without further authority or appropriation.

Revolving funds are intended to operate on a break-even basis by recovering the cost of services from users. If they are unable to do so by adjusting **recovery rates** (i.e., prices), the level of operations or other means, a **subsidy** must be provided by the GRF through the responsible ministry’s appropriation.

A limit set by Treasury Board is placed on the accumulated operating surplus or deficit of the revolving fund. This limit, referred to as an **accumulated surplus or deficit limit**, serves as a mechanism to control the operation of the fund within a break-even position.

Revolving funds are financed through an approved **accumulated net expenditure limit** with the GRF. The accumulated net expenditure limit is the borrowing limit the revolving fund has with the GRF. It is analogous to a line of credit. The intent is that the line of credit is repaid over time through the recovery of expenses. The limit is set by the Lieutenant Governor in Council and continues from year to year. The limit serves as a control mechanism to restrict the level of operations within the original intent as approved by the Lieutenant Governor in Council.

Purpose and Objectives

Use of a revolving fund may extend to a program(s) or an entire government operation. There are generally two types of revolving funds:

- those which are quasi-commercial in nature and provide and recover the cost of services from users external and internal to government; and
- those operated primarily for cost allocation within government.

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 Section: **General Revenue Fund and Revolving Funds**
 Subsection: **Establishment and Control of Revolving Funds**

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Revolving funds are used to:

- provide cost efficiencies in purchasing, distribution or production;
- achieve efficient and effective use of resources (i.e., through a fleet management approach for capital assets); or
- accurately accumulate costs (capital and operating) by program/projects for allocation to users on an equitable basis.

Relationship to the General Revenue Fund

Revolving fund payments are made directly out of, and receipts are deposited directly into, the GRF. The excess of the accumulated expenditures over accumulated receipts is the **accumulated net expenditure balance** or outstanding borrowing from the GRF.

The accumulated net expenditure of the revolving fund is accounted for by the GRF as a non-financial asset/(liability). The annual net expense/(recovery) of the revolving fund is not included in the annual surplus or deficit of the GRF.

In specific situations, transactions with the revolving fund may be accounted for as lending or investing activities by the GRF as described below.

Lending or Investing Activities of a Revolving Fund

Where legislation specifically provides for the GRF to provide loans and advances to a revolving fund for lending or investing by the revolving fund (e.g., loans to non-government entities), these transactions may be accounted for as loans and advances by the GRF. Separate accumulated net expenditure limits are established through legislation for lending or investing activity.

Refer to [Section 3215 Financial Reporting Requirements and Accounting Policies for Revolving Funds](#) for information on the reporting of revolving fund transactions in the Public Accounts and for revolving fund disclosure requirements.

References

[3205 Approval of Revolving Funds](#)

[3210 Budget and Control of Revolving Funds](#)

[3215 Financial Reporting Requirements and Accounting Policies for Revolving Funds](#)