

Part: **Public Money and Property**  
 Section: **General Revenue Fund and Revolving Funds**  
 Subsection: **Establishment and Control of Revolving Funds**  
 Policy: **Approval of Revolving Funds**

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## Approval of Revolving Funds

### Objective

*The objective is to outline the requirements for the establishment, amendment or discontinuance of a revolving fund.*

### Authority

*The Financial Administration Act, 1993, clauses 5(a), 5(e), subsection 10(2), sections 22 and 28 and enabling legislation*

### Background

Legislation is required to create a revolving fund and to authorize the nature of its operations.

### Treasury Board Policy

- .01 To establish or maintain a revolving fund, an operation or operations must satisfy **one or more** of the following specific criteria:
- achieve cost efficiencies in purchasing, distribution and/or production through the centralization of commonly used goods or services;
  - achieve efficient and effective utilization of capital assets such as equipment, machinery and vehicles through a fleet management approach;
  - provide a service or services which the private sector is unable or unwilling to provide;
  - serve as a vehicle for government policy; and
  - provide a mechanism for the accurate accumulation of capital and operating costs by program/projects in order to allocate costs to programs/projects or users on an equitable basis.
- .02 In addition to meeting one or more of the specific criteria in .01 above, a revolving fund must meet **all** of the following general criteria:
- Revenues and/or expenses will occur for more than one fiscal year.
  - The operations to be financed by the fund can be clearly distinguished from those financed through other appropriations.
  - The size of the operation is large enough to warrant a separate entity.
  - Revenue can be directly related to the expenses incurred by the fund.
  - The fund will generate sufficient revenue to meet a major portion of its expenses on a continuing basis, although the

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operations of the fund may require subsidization on a regular or occasional basis.

- .03 A submission seeking approval to establish a revolving fund is to be submitted to the Provincial Comptroller and to Treasury Board.
- .04 Treasury Board approval is required for the establishment of a revolving fund, including its level of operations.
- .05 Treasury Board approval is required for any major changes to the nature or operations of a revolving fund.
- .06 With Treasury Board approval, a revolving fund can be discontinued and its accounts closed out at the end of a fiscal year.
- .07 To establish a revolving fund, ministries have to demonstrate the capability to:
  - separately account for the operations of the revolving fund;
  - establish and maintain adequate accounting and management systems for operational and reporting purposes; and
  - establish and maintain control of the assets and liabilities of the revolving fund so that statements of operations and financing activities will adequately disclose the uses made of the moneys provided.
- .08 Criteria for the establishment of a revolving fund and the financial management of the proposed revolving fund requires the approval of the Provincial Comptroller.
- .09 Approval of the Provincial Comptroller is required for any significant changes to the nature of a revolving fund or major changes to the type of operations of a revolving fund for conformance with policy.

**Provincial Comptroller Directives**

**Establishing a Revolving Fund**

- .10 There must be a clear need to establish a revolving fund. This is necessary since separate financial records and financial management are required, resulting in operating costs to be offset.

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.11 Cabinet approval is required to establish a revolving fund. The responsible ministry is to prepare a submission and provide it to Treasury Board Branch and the Provincial Comptroller for review. The submission should present a valid business case to justify the establishment of a new revolving fund and should include:

- the mandate or legislative basis (i.e., draft bill) for the organization's existence;
- the need for and the business purpose of the revolving fund;
- the compliance with the criteria for establishing a revolving fund;
- the nature of the operations and a general description of the types of goods and services the revolving fund will provide and the major user groups, including the general public, which may be funded through a subsidy from the appropriation;
- a business case for any expected subsidies where less than the full cost of operations will be recovered and an estimate of the amount of subsidies required from the responsible ministry's appropriation (i.e., public purpose);
- the financial projections and business objectives for a three- to five-year period;
- the number of full-time equivalents (FTEs) and an organization chart with a brief description of the duties of the positions;
- the methodology to be used to recover costs, cost components to be recovered and the proposed rate structure;
- a schedule of capital assets required in operations, including the source of acquisitions (e.g., transfers from other government entities or the purchase of new assets), proposed capital replacement and capitalization policies;
- a schedule of amortization rates for each class or category of assets;
- a schedule of other obligations to be assumed by the fund such as leases or contracts;
- an estimate of expenses that will be incurred on behalf of the revolving fund but not charged to it and the proposed surcharges to recover these costs from non-government users;
- proposed limits for the [accumulated net expenditure](#) and the [accumulated surplus/deficit](#); and

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- a description of any restrictions and/or limitations imposed on the revolving fund, because of government policy, program needs and/or outside parties.
- .12 The Provincial Comptroller reviews the submission for compliance with criteria for establishing a revolving fund and the adequacy of the proposed financial management of the revolving fund.
- .13 Treasury Board Branch reviews the proposal for budget implications.
- .14 The submission is sent to Treasury Board along with comments from the Provincial Comptroller and Treasury Board Branch. If legislative changes are required, they must be approved by Cabinet and passed by the Legislature.
- Amending a Revolving Fund** .15 Changing, adding or deleting an operation are amendments. It also includes expanding the level of operations where an increase in the [accumulated net expenditure limit](#) is anticipated.
- .16 Expanding the accumulated net expenditure limit for a revolving fund requires an Order in Council.
- .17 A Treasury Board submission seeking approval to amend a revolving fund, prepared by the responsible ministry is provided to the Provincial Comptroller for comments and to Treasury Board Branch for review. The submission should include the following:
- if legislative changes are required, draft legislation (bill) to amend the revolving fund;
  - a description of the nature of the change(s) proposed to the operations of the revolving fund;
  - information to justify the need for the amendment to the revolving fund;
  - the financial projections and business objectives for a three- to five-year period (comparisons should be made between current and proposed operating results, rate structure, FTEs, cash requirements, the accumulated net expenditure and accumulated operating surplus/deficit); and
  - analysis of alternatives available and a recommendation.

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- .18 The Provincial Comptroller reviews the submission to ensure the amendments are in accordance with criteria for maintaining the status of a revolving fund.
- .19 Treasury Board Branch reviews the submission for budget implications.
- .20 The submission is then sent to Treasury Board along with comments from the Provincial Comptroller and Treasury Board Branch. If legislative changes are required, they must be approved by Cabinet and passed by the Legislature.
- Terminating a Revolving Fund** .21 When it is considered appropriate to discontinue the operation of a revolving fund, a submission seeking approval prepared by the responsible ministry is submitted to the Provincial Comptroller and Treasury Board Branch for approval. The submission should include:
- reasons for the termination;
  - analysis of the affects of termination, including quantitative and qualitative factors, alternatives available and a recommendation;
  - estimated cost of termination, including the cost to disband, the cost of providing alternative services and staffing and re-allocation costs;
  - proposed legislative changes;
  - disposition of all items of capital or of a financial nature controlled by the fund;
  - detailed schedule of timing for the transfer of operations assets and re-allocation of work force, if applicable; and
  - recommended procedures for the orderly closing out of the fund.
- .22 Treasury Board approval is required to close out the accounts of a revolving fund.
- .23 The legislative authority for the revolving fund is to be rescinded when the fund has been terminated and the accounting transactions completed.
- .24 Refer to [Section 3215 Financial Reporting Requirements and Accounting Policies for Revolving Funds](#) for the accounting treatment to wind up a revolving fund.

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**References**

[3200 Establishment and Control of Revolving Funds](#)

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

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

[Accounting Manual](#)