



10 Steps to Developing a Financial Policy

The process for developing policies must be collaborative, considering the interests and concerns of elected officials and public management. The objective of a collaborative process is to develop a policy that not only generates enough support for its adoption but is also strong enough to overcome inevitable challenges to its implementation.

Financial policies should be developed collaboratively between the finance officer, the rest of the executive management team, and the board. The objective is to produce a policy that has a deep level of commitment from these participants, so it will have a real impact on decision-making after it is formally adopted.

For detailed information to help your government develop its own policies, see *Financial Policies* by Shayne C. Kavanagh (GFOA, 2012).

1

Establish a vision and values for financial condition.

Describe the organization's vision of success—what the organization should look like once it has implemented its strategies and achieved its full potential—focusing on financial condition.

2

Define the problem the policy will address.

A policy will be of greater interest to board and staff if it addresses a salient problem. Think of policies in terms of managing risk: their purpose is to help manage risk and cope with uncertainty.

3

Draft the policy. Make sure the fundamental technical elements of the policy area are covered by asking questions like “What do best practices say should be in the scope of similar policies?” and “What are other governments doing to address similar situations?”

4

Reflect on how people will react. Consider who is affected by the policy, the implication of policy options for flexibility versus control, and how related risks are being managed—or not.

5

Initiate an executive team review. Review the first draft with the executive team so you can begin to identify concerns early in the process.

6

Present the policy to elected officials informally. Discuss the policy in a low-pressure, low-stakes environment so you can address concerns or questions as early as possible.

7

Initiate a public comment period. Optional, but potentially helpful, a public comment period can serve as a barometer of public reaction.

8

Formally consider and adopt the policy. Bring the policy before the government's board to review and approve it.

9

Put the policy into practice. Make staff aware of the new policy. A centrally available repository for policies, like a dedicated policy website, is a good way to quickly and easily alert staff to new or changed policies.

10

Monitor and maintain policies. Policies need to be kept up to date and relevant. Under a regular review, every policy, or at least some portion of the policies, is formally reviewed each year.

Bonus step:

Submit the policy to GFOA's Financial Policy Challenge.

We are encouraging members to adopt and share financial policies that are essential to a strong financial foundation.

For more information, go to gfoa.org/financial-policy-challenge.