# Cost Management sample policy statements

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Individual cloud policy statements are guidelines for addressing specific risks identified during your risk assessment process. These statements should provide a concise summary of risks and plans to deal with them. Each statement definition should include these pieces of information:

- **Business risk.** A summary of the risk this policy will address.
- **Policy statement.** A clear summary explanation of the policy requirements.
- **Design options.** Actionable recommendations, specifications, or other guidance that IT teams and developers can use when implementing the policy.

The following sample policy statements address common cost-related business risks. These statements are examples you can reference when drafting policy statements to address your organization's needs. These examples are not meant to be proscriptive, and there are potentially several policy options for dealing with each identified risk. Work closely with business and IT teams to identify the best policies for your unique set of risks.

## Future-proofing

**Business risk:** Current criteria that don't warrant an investment in a Cost Management discipline from the governance team. However, you anticipate such an investment in the future.

**Policy statement:** You should associate all assets deployed to the cloud with a billing unit and application/workload. This policy will ensure that future Cost Management efforts will be effective.

**Design options:** For information on establishing a future-proof foundation, see the discussions related to creating a governance MVP in the actionable design guides included as part of the Cloud Adoption Framework guidance.

## Budget overruns

**Business risk:** Self-service deployment creates a risk of overspending.

**Policy statement:** Any cloud deployment must be allocated to a billing unit with approved budget and a mechanism for budgetary limits.

**Design options:** In Azure, budget can be controlled with Azure Cost Management

## Underutilization

**Business risk:** The company has prepaid for cloud services or has made an annual commitment to spend a specific amount. There is a risk that the agreed-on amount won't be used, resulting in a lost investment.

**Policy statement:** Each billing unit with an allocated cloud budget will meet annually to set budgets, quarterly to adjust budgets, and monthly to allocate time for reviewing planned versus actual spending. Discuss any deviations greater than 20% with the billing unit leader monthly. For tracking purposes, assign all assets to a billing unit.

**Design options:**

- In Azure, planned versus actual spending can be managed via Azure Cost Management
- There are several options for grouping resources by billing unit. In Azure, a resource consistency model should be chosen in conjunction with the governance team and applied to all assets.

## Overprovisioned assets

**Business risk:** In traditional on-premises datacenters, it is common practice to deploy assets with extra capacity planning for growth in the distant future. The cloud can scale more quickly than traditional equipment. Assets in the cloud are also priced based on the technical capacity. There is a risk of the old on-premises practice artificially inflating cloud spending.

**Policy statement:** Any asset deployed to the cloud must be enrolled in a program that can monitor utilization and report any capacity in excess of 50% of utilization. Any asset deployed to the cloud must be grouped or tagged in a logical manner, so governance team members can engage the workload owner regarding any optimization of overprovisioned assets.

**Design options:**

- In Azure, Azure Advisor can provide optimization recommendations.
- There are several options for grouping resources by billing unit. In Azure, a resource consistency model should be chosen in conjunction with the governance team and applied to all assets.

## Overoptimization

**Business risk:** Effective cost management creates new risks. Optimization of spending is inverse to system performance. When reducing costs, there is a risk of overtightening spending and producing poor user experiences.

**Policy statement:** Any asset that directly affects customer experiences must be identified through grouping or tagging. Before optimizing any asset that affects customer experience, the Cloud Governance team must adjust optimization based on at least 90 days of utilization trends. Document any seasonal or event driven bursts considered when optimizing assets.

**Design options:**

- In Azure, Azure Monitor's insights features can help with analysis of system utilization.
- There are several options for grouping and tagging resources based on roles. In Azure, you should choose a resource consistency model in conjunction with the governance team and apply this to all assets.

## Next steps

Use the samples mentioned in this article as a starting point to develop policies that address specific business risks that align with your cloud adoption plans.

To begin developing your own custom policy statements related to Cost Management, download the Cost Management template.

To accelerate adoption of this discipline, choose the actionable governance journey that most closely aligns with your environment. Then modify the design to incorporate your specific corporate policy decisions.

Actionable governance journeys