

Principles for Building a Reliable, Risk-Aligned Maintenance Budget

From “Managing Budget Cuts in Maintenance and Reliability” By Owe Forsberg



Zero- or Activity-Based Budget

Build the maintenance budget from the ground up each year based on real equipment needs, planned activities, and risk—not last year’s numbers.



Develop a Template that Guides the Budget Activities

Use a structured template with clear account categories and equipment history to ensure every budget line is tied to real maintenance activities.



Identify Timing of Budget Activities

Plan the timing of major events—overhauls, shutdowns, outages, and capital projects—to build a realistic and predictable maintenance budget.



Differentiate Between Routine Maintenance and Major Activities

Separate yearly maintenance work from multi-year overhauls and large breakdowns so major events don’t distort or overwhelm the annual budget.



Align the Maintenance Budget with Business Risk

Prioritize maintenance activities based on severity and probability of impact to operations, safety, and environmental performance.



Clearly Communicate the Budget with Stakeholders

Explain what is included, what is deferred, and the associated risks so operations and leadership share accountability for budget decisions.



Estimated Costs Should Be Developed Based on SME Input

Use insights from maintenance, reliability, and engineering subject-matter experts to create accurate and credible cost estimates.



Savings Must Be Visible

Document and show future budget reductions resulting from improvements or equipment changes to build trust and reinforce good decisions.



Operating Units Must Share the Goals for the Maintenance Budget

Treat maintenance performance, budget targets, capital needs, and inventory value as shared responsibilities across operations and maintenance.



Manage Spare Parts Inventory Value

Stock parts based on risk, maintain accurate master data, remove obsolete inventory, and budget for write-offs to keep inventory value under control.



Clearly Define Capital Spend vs. Maintenance Spend

Establish clear criteria with finance to prevent minor additions and replacements from quietly draining the maintenance budget when they should be capitalized.



Define Clear Work Order Priorities

Prioritize work based on risk and timing so spending stays controlled and operations understands why certain work must happen first.



Develop an End-of-Life Equipment Replacement Plan

Create a forward-looking capital plan—at least five years out—to avoid loading the maintenance budget with repairs that should be capital investments.



Implement a Strategic Capital Investment Process

Involve maintenance and reliability SMEs early in capital project design and selection to ensure equipment is built for reliability and maintainability.



Equipment History

Maintain detailed work-order history—including labor, contractors, parts, and failure corrections—to support accurate budgeting and cost analysis.



Repair and Return Parts

Establish clear guidelines for when parts should be rebuilt versus replaced to ensure consistent, cost-effective decisions.



Equipment Condition Drives Reliability and the Budget

Use equipment condition and backlog data to determine what work must be done, what can be deferred, and the risk of postponement—never cancel needed work just to meet the budget.



Manage the Budget

Review the budget at least twice monthly and communicate performance regularly to keep spending on track and stakeholders aligned.

