

## Retention: guidance

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### **Introduction**

The purpose of this document is to provide a guide for retention payments associated with your project.

### **Definition**

Retentions are payments held back to ensure that the works undertaken by the contractor have been completed to the desired standard and/or to fix issues that arise after the project has been completed, including snagging.

Retention payments cannot be used for any procurement or purchasing, or the installation of any equipment.

Typically, we expect retention to range up to 5% of the grant value. Retention above 5% will need to provide further supporting information to evidence this, such as the contract or extract of the contract.

### **How to claim retention**

Retention payments can only be claimed as part of the final payment claim and must be stated on the final payment statement of expenditure as part of 'Step 1 – Final Payment Request' including the date the retention will be paid out to the contractor.

Any retention claims should be forecasted as normal. Please see the [payment process page](#) for more information.

To be eligible for retention payments, grant recipients must provide the following evidence:

- Invoices that clearly show the amount of the retention payment.
- Contractual documents which detail the retention amount and conditions for release.

Salix will follow up as part of post-completion procedures to confirm any retention has been paid to contractors. Retention can only be claimed on the grant value.

For example: Your total project cost is £100,000 and your grant value is £80,000. As per the contract, you will withhold 2% of the project costs from the contractor until 12 months post-completion. In this case, you can claim £1,600 of retention costs as part of your final payment claim from Salix.

### **Evidencing retention**

Evidence of retention can be provided to Salix in the following ways:

## Scotland's Public Sector Heat Decarbonisation Fund

**Scenario 1:** *retentions which appear on invoices provided as part of earlier payment submissions which need to be claimed in the final payment.*

These amounts of retention will typically show as amounts deducted from the total. Please add a comment to the payment request to indicate the retention will be claimed later. This means that you will not need to re-submit the invoices.

To claim these retention amounts, grant recipients should add the relevant invoice numbers as individual lines when completing 'Step 1 – Final Payment Request' on the final payment statement of expenditure, including the specific retention amount and the date is expected to be paid to contractors.

Please add a comment to indicate how much of the remaining invoice total has been claimed in previous Scotland's Public Sector Heat Decarbonisation Fund claims.

**Scenario 2:** *retention is shown on the final invoice as part of project commissioning, detailing the full retention amount.*

The invoice should be added to 'Step 1 – Final Payment Request' on the final payment statement of expenditure detailing the retention amount to be claimed from Salix and the date the retention will be paid to the contractor. Any other costs being claimed from the invoice which are not retention, should be detailed in 'Value (£)' and 'Value (inc. VAT) (£)'

If you have invoices from several contractors, each should be added as a new line.

**Scenario 3:** *retention which doesn't appear on previous invoices:*

We require the original contract showing the percentage of retention to be paid. This should be added as a separate line on 'Step 1 – Final Payment Request' on the final payment statement of expenditure as part of the final payment request. Each contractor should be added as an individual line.

### Post-payment

Once the final grant payment has been made and the project has reached practical completion, grant recipients will receive a project closure letter.

This letter will detail the below condition:

- *Evidence as and when retention amounts have been released to contractors in relation to the grant funding. Whilst this funding can be released by Salix prior to a client paying the retention, we do require evidence when this has been released. If there are any issues regarding the retention that arise, please contact your relationship manager. Please provide this information once the retention payment is ready to be released to the contractor. If supporting information is not provided to Salix to evidence that retention has been paid, your eligible grant value may be reduced, and funding reclaimed.*

If you have any questions about this guidance, please speak with your relationship manager.