

Phase 3 Scotland's Public Sector Heat Decarbonisation Fund: standard completion guidance

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Purpose and outcomes

The standard completion guidance is to be used when Phase 3 Scotland's Public Sector Heat Decarbonisation Fund projects will complete and be commissioned in line with the agreed scope of works by the grant end date¹ stated in your Grant Offer Letter.

Please note: separate guidance is available for the following:

- Delayed commissioning process – for projects where practical completion is achieved by the grant end date but works cannot be commissioned by this date because other factors, outside the grant recipient's control, will prevent them from doing so.
- Delayed completion process – for projects where practical completion will be achieved after the grant end date.

The purpose of this guidance is to set out the steps to be followed by grant recipients during the project completion process and to enable Salix to make the final grant payment. All projects following the standard completion guidance must be completed by the grant end date and final payment documents and evidence of need (i.e. invoices) must be submitted to us.

Grant funding derived from Phase 3 Scotland's Public Sector Heat Decarbonisation Fund can only be used for project activities completing on or before the grant end date. Where invoices are dated after the grant end date, the description needs to explicitly state that the works completed before the grant end date.

The only exceptions where the final grant payment may cover costs incurred after the grant end date relate to retention payments.

Retention payments

These 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 and commissioning. Retention payments cannot be used for any procurement or purchasing, or the installation of any equipment. Typically, we expect retention to be no more than 10% of the grant value, and will ask for supporting evidence if above 5%.

¹ The grant end date for projects is 31 March 2026.

To be eligible for retention payments, grant recipients must provide evidence in the form of contractual documents and/or invoices that clearly show the amount of retention and under what conditions it will be paid. Retention payments will be made as part of the final payment upon project completion, and this will be followed up by our team in post-completion monitoring to confirm any retention has been paid to third parties.

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

- If retention appear on invoices provided as part of earlier submissions and the current claim to Salix – this will typically show as amounts deducted from the total. If grant recipients wish to reuse these invoices denoting retention as evidence for the final claim, these do not need to be resubmitted to us. Grant recipients must ensure the amount of retention is displayed on a separate line on the Final Payment Statement of expenditure as part of 'Step 1 – final payment request' so that this is clear for audit purposes e.g. 12 amounts of retention, 12 invoices (with the invoice number and date of issue), 12 separate lines on the statement of expenditure.
- If retention doesn't appear on previous invoices submitted to Salix – we will require a copy of the original contract showing the percentage of retention to be paid. Again, this needs to be displayed on a separate line on the statement of expenditure.

Please note that for retention payments, you need to speak to your Salix relationship manager and agree these before you commit to them. We will ask to see the evidence to support your final payment before agreeing to any plans for these. Grant recipients should provide firm evidence of both before their final payment can be made.

Required documents for completion and final payment:

1. Final monthly monitoring report, confirming the practical completion date and with the status of all measures listed in 'Step 1 measure progress' marked as 'Commissioned'.
2. Evidence to support the closure of all outstanding conditions from the Grant Offer Letter or Grant Amendment Letter (see '*Addressing grant conditions*' section below).
3. Final application form detailing any changes to project costs or savings to confirm the expected carbon savings on completion and final eligible grant value.
4. Invoices* to evidence Phase 3 Scotland's Public Sector Heat Decarbonisation Fund spend.
5. Schedule 3 payment request.

6. Final payment statement of expenditure – This should cover all the costs included as part of the final grant payment request and the public sector bodies contribution (minimum 20% of total project value). Any retention or commissioning costs should also be itemised on the final statement of expenditure.
7. Invoices* to evidence the 20% minimum contribution for the final scope of works. Please refer to 'Step 4 support tool' in your application form or contact your Salix relationship manager to confirm the amount required to be evidenced.
8. Proof of payment must be provided evidencing the spend incurred for works completed on the grant recipient's project. This can be in the form of ledgers or internal transaction logs.
9. Photographic evidence of installation and completion of key measures (sufficient photographs of the installed kit – including close-ups of serial numbers, and images that indicate the location of installed measures).
10. Practical completion certificates.
11. Boiler decommissioning certificates, if the grant recipient is installing a Clean Heating System.
12. Warranty certificates for items of significant spend, where the value of the technical measure is over £100,000 or if it constitutes 25% or more of the grant value (or Operation & Maintenance manuals covering all installed equipment).

***Invoices**

- These should either be dated on or before 31 March 2027 or, if dated after, clearly specify in the itemised breakdown on the invoice itself that the works were completed within the grant period.
- Organisations required to provide a grant recipient contribution must also submit invoices evidencing this spend. Organisations categorised by the Office for National Statistics as Scottish central government are exempt from the 20% minimum contribution requirement.
- Other types of evidence may be accepted on a case-by-case basis.

Addressing grant conditions

Grant conditions are outlined in Schedule 2 of your Grant Offer Letter (GOL). If you have received a Grant Amendment Letter following a change request, please also ensure any additional conditions listed in this letter have been addressed.

Resolving these conditions ensures that we have completed all due diligence checks to confirm that the project meets the scheme criteria. These must be submitted for review and resolved before final payment can be made to verify the final total eligible grant value.

We advise submitting this information as early as possible so that these checks can be completed before they are able to impact on final payment. Please note that we require a minimum of 20 working days to process documents prior to submitting a payment claim as this allows time for queries to be raised and responded to. We therefore request that all conditions due prior to practical completion and commissioning are submitted at the earlier date of 1 March 2027.

To confirm the grant value of your project, and for us to make your final payment, we require a final application form and the energy saving calculations for your

project that confirms this. These documents need to be provided prior to the expected discharge date of Wednesday 31 March 2027.

To ensure the efficient assessment of conditions and timely processing, the information provided by grant recipients for clearing conditions must be final and meet the required standards. Any information that does not meet the specified standards will be rejected, posing a risk to your final grant payment. It is crucial that you provide accurate and complete data to facilitate a swift assessment by our team. If overdue conditions remain outstanding by 1 March, 2027 there is a risk we will not have time to assess and, if required, query the evidence provided. Therefore, putting your final payment at risk. Please contact your relationship manager if you have any issues with submitting your conditions by this date.

Step-by-step guide to the completion process:

We advise undertaking the completion process in three steps:

1. Preparing for completion – steps that may be possible prior to practical completion;
 - Send us evidence to support the closure of all outstanding conditions.
 - Identify any retention and, if so, the value and payment date.
 - Provide a first draft of the accruals forecast statement form by 15 February 2027 to forecast your accruals payment(s).
 - Submit a final version of the accruals forecast statement form by 15 March 2027.
 - Collecting final invoices for your project and preparing contractors to promptly invoice after completion of your Public Sector Decarbonisation Scheme funded works.
2. Initiating the completion process
 - Submit a final monthly monitoring report, confirming the practical completion date and with the status of all measures listed in 'Step 1 measure progress' marked as 'Commissioned'.
 - Submit a final application form with confirmed costs and energy savings figures by 31 March 2027.
 - Submit all completion documents listed below:
 - Boiler decommissioning certificates
 - Photographic evidence of completed works
 - Practical completion certificates
 - Proof of payment
 - Warranty certificates for any Public Sector Decarbonisation Scheme funded items of significant spend (or Operation & Maintenance manuals covering installed equipment).
3. Final payment request submission by 19 February 2027
 - a. Provide Schedule 5 payment request
 - b. Submit final invoices

- c. Provide final statement of expenditure
- d. Submit invoices to evidence your client contribution to the project costs. This should be a minimum of 20% of the total project value.

Final project closure and post completion annual reporting

Once the above steps have been completed and we have carried out the necessary steps to review and make the final payment, you will receive a remittance advice from us along with the project closure letter.

The project closure letter details the process for annual carbon reporting of your project, which is required for three years to assess whether the measured funded through Phase 3 Scotland's Public Sector Heat Decarbonisation Fund are achieving the expected outcomes. Grant recipients must also report when they have made any retention payments to their contractor, if applicable.

For more information on this process, please check our website or contact your Salix relationship manager.