

## Public Sector Decarbonisation Scheme Guidance: Retention

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### Introduction

Retention costs are one of the exceptions to the Public Sector Decarbonisation Scheme funding eligibility and may be claimed in advance, subject to meeting certain requirements. These costs may only be claimed as part of your final payment request and must be for works that have taken place within the grant period. Evidence that retention has been paid to your contractors will be required after the expected date the retention will be released, otherwise any grant funding claimed for these costs will be reclaimed.

### What is retention?

Retention is the payment held back to ensure that the works undertaken by your contractors have been completed to the desired standard and to fix issues that may arise after the project has been completed, including snagging. Retention is often a fixed value that will be fully released after a certain period upon satisfactory project completion, but this release could be staggered. Retention payments cannot be used for any procurement or purchasing, or the installation of any equipment. Typically, we expect retention in the region of 5% of the total project value.

### Claims for retention

Retention payments can **only** be claimed as part of your **final** Public Sector Decarbonisation Scheme (PSDS) payment request. This is because retention can only be claimed for technology and works that have taken place within the grant period and can be made as one claim when eligible retention claims have accumulated. This is also typically the period where withheld retention is clearly demonstrated from invoices and can be claimed on an evidence of need basis.

Claiming retention from your PSDS grant may enable you to maximise your grant spend, if you reach the grant end date and haven't been able to provide evidence of other costs to claim your full grant allocation. As stated, retention can **only** be claimed for works completed within the grant period.

If you decide to claim retention, it must be listed in your statement of expenditure, including the date the retention will be paid out to the contractor. Claims for retention should still be forecasted as normal in your monthly monitoring report and accruals forecast statement (further guidance on accruals is available, but please speak to your Relationship Manager).

When including retention claims on the statement of expenditure, each invoice that refers to retention must be listed line by line, and all relevant invoices provided. It's likely these invoices have already been submitted during the grant period so please liaise with your Relationship Manager to establish the most efficient way of providing the evidence.

To be eligible for retention payments, you need to provide the following evidence:

- Invoices that clearly show the amount of the retention payment
- Final statement of expenditure listing invoices line by line
- Contractual documents which detail the retention amount and conditions for release

We will follow up as part of our post-completion procedures to confirm any retention has been paid to contractors. Funding may be reclaimed if you cannot evidence that the retention was paid out to the contractor.

### **How much retention can be claimed?**

Retention is typically up to 5% but is dependent on each contract you have with your contractors. Regardless of the percentage, all claims will be reviewed on a case-by-case basis.

Retention can only be claimed against the grant-funded proportion of project costs. For example, your total project cost is £100,000 and your PSDS grant value is £80,000. As per your contract, you 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 PSDS payment i.e. 2% of your grant value. Inform your relationship manager that you would like to appoint an accountable officer to sign payment request documents.

### **Examples: evidencing retention**

Evidence of retention can be provided to Salix in the following ways. Please note that the contractual documents detailing the retention agreement will need to be provided for all the below examples.

- **Retention which appears on invoices provided as part of earlier payment requests**

These amounts will typically show as figures deducted from the total of each invoice. Please add comments to your statement of expenditure for each relevant payment request to indicate that retention will be claimed later.

To claim retention in this way, you should add the relevant invoice numbers as individual lines when completing the final 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 PSDS claims.

- **Retention is shown on the final invoice as part of project commissioning, detailing the full retention amount**

The invoice should be listed on your statement of expenditure as normal, detailing the retention amount to be claimed from Salix and the date the retention will be paid to the contractor in the relevant columns. Any other costs

being claimed from the invoice which are not retention, should be detailed in the value columns.

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

- **Retention which doesn't appear on previous invoices**

We require the original contract showing the percentage of retention to be paid. This must be signed by the public sector organisation.

In addition to the signed contract, a clarification must be provided on how retention is evidenced within your organisation's financial records. This can be provided as a statement of accounts highlighting the retention amount and a written confirmation from the contractor confirming the outstanding money owed as retention.

Please add this as a separate line on the statement of expenditure as part of your final payment request. Each contractor should be added as an individual line.

- **Retention claims where you have not fully completed your project within the grant period**

If your project completion is delayed beyond the grant end date, you may be able to claim retention on the works completed within the grant period, subject to sufficient evidence. For example, if you have completed a heat pump installation at one site before 31 March and the contractor has invoiced you for retention on these works, this may be claimed from your PSDS funding.

- **Retention claims in multi-year projects**

If you're claiming retention as part of your final payment and your compiled invoices include evidence dated in a previous financial year, this would be considered eligible. Retention accumulates over the life span of the project so while this will still be reviewed on a case-by-case basis, this is likely to be approved if all other conditions are met (please note this is an exception solely for retention claims). Once this is received, your relationship manager will issue you a Schedule 6 which will need to be completed and signed by someone within your organisation with equivalent authority (appropriate to your organisation) and your new authorising official.

## **Project closure**

Once your final grant payment has been made and the project has reached practical completion, you will receive a project closure letter. Within, will be detailed the condition:

- *To provide 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 grant recipient 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 Salix relationship manager*

Please provide evidence that retention has been paid out on the date you have indicated on your statement of expenditure. 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.



3 Piccadilly Place  
020 4542 6439  
Manchester  
M1 3BN



10 South Colonnade,  
Canary Wharf,  
London,  
E14 4PU



[info@salixfinance.co.uk](mailto:info@salixfinance.co.uk)



02045426439