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# The Retention Money Checklist for Subcontractors

Five things to check before your business gives away any more money.

1

# Your retention money is probably going uncollected

In contract work, main contractors typically hold back a percentage of the contract value. Usually two and a half percent on completion, with another two and a half percent released a year later. On a decent sized contract, that adds up to serious money.

The problem is tracking it. You need to know which contracts have retention held, how much, when the release dates are, and whether the main contractor has been chased when payment is overdue. Without a proper system for this, retention money quietly disappears.

One client I work with discovered that their previous finance person hadn't been chasing any retention payments at all. Five percent of every job they'd completed, year after year, just sitting there uncollected because nobody was keeping track.

Setting up a retention tracking system isn't complicated. It just needs someone to build it and then stay on top of it consistently. The money that comes back in is often enough to cover the cost of proper financial management on its own.

2

## Your payment terms are creating a structural cash flow problem

Here's a common pattern in contract businesses. Your suppliers want paying in 30 days. Your main contractors pay you in 60 or sometimes 90. You're spending money on materials and labour weeks before the income arrives to cover it.

When you're winning plenty of work, this gap gets bigger, not smaller. Every new contract means more cash going out before it comes back in. Winning more work can actually make your cash flow worse, which feels counterintuitive but is one of the most common causes of financial stress in contracting businesses.

Changing your payment terms can help, but it's not always possible. What makes the real difference is forecasting your cash flow properly so you can see the gaps coming and plan for them. That might mean using invoice finance, building up a cash reserve during good months, or timing your material purchases more carefully.

Without a proper cash flow forecast that reflects the reality of how contract money moves, you're always reactive. The invoice finance company or the bank becomes your emergency solution rather than a planned part of how you manage cash.

3

## You're pricing tenders on gut feeling rather than real data

Winning a contract is only good news if it's profitable. And the only way to know whether a tender price is right is to understand the full cost of delivery.

Most contracting businesses are good at calculating the obvious costs. Materials, direct labour, subcontractors. But the hidden costs are where margins get eaten. Travel time between sites, waste and rework, equipment hire, the admin hours spent managing the contract, downtime between projects, and the cost of fixing defects during the retention period.

If you're not factoring all of that in, you're submitting tenders that look profitable on paper but deliver much less in practice. One client discovered they'd been consistently underpricing because they hadn't accounted for travel time and material waste on every job.

Building a proper cost model for your tenders takes time upfront but saves you from winning work that costs you money. It also gives you the confidence to hold your price when a main contractor pushes back, because you know exactly where your margin sits.

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## Nobody's looking at where you're overstaffed

Contracting businesses often carry staff through quiet periods because it's easier than letting people go and re-hiring when work picks up. That's understandable, but it needs to be a conscious decision based on real numbers rather than something that happens by default.

When someone actually looks at your staffing costs against the revenue and work patterns, the picture often reveals areas where you're carrying more capacity than the work justifies. One client found they were significantly overstaffed in one area once the numbers were laid out clearly. Trimming that down made the business substantially more profitable without affecting their ability to deliver.

I'm not talking about cutting for the sake of it. Having visibility of the relationship between your workforce and your workload means you can make informed decisions. Sometimes the right answer is to keep the staff and go and win the work to justify them. But you can only make that call if you know the numbers.

Regular analysis of staffing costs against revenue helps you spot these imbalances before they become a drag on profitability.

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## You're going into bank and finance meetings unprepared

If you use invoice finance or have a facility with your bank, those relationships matter. And they're built on confidence. The finance company wants to know that you're on top of your numbers. The bank wants to see that you understand your position.

Walking into those meetings with clear, accurate financial data and the ability to answer questions without saying 'I'll get back to you on that' makes a significant difference to how those relationships develop. It affects your facility limits, your terms, and your overall cost of finance.

One client told me the biggest difference since getting proper financial management was the confidence he felt going into meetings with the bank and invoice finance company. Having someone there with the answers ready changed the dynamic entirely.

Your finance person should be prepared for these meetings as a matter of course, not scrambling to pull numbers together the day before. If they're not, you're not getting the support you need.

# Want to talk about your finances?

There's no hard sell, just a conversation about where your business is and whether I can help.

**GET IN TOUCH**

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