UK Government

# Boiler Upgrade Scheme 2026 – 2030

## Summary Business Case

Department for Energy Security and Net Zero (2026)

# Contents

# Introduction

The government is committed to achieving the UK's net zero targets and supporting the transition to low-carbon heating. Heating in homes and buildings accounts for around one fifth of the UK's emissions, and upgrading properties to clean, energy-efficient systems is one of the most important things we can do to combat climate change. To support this transition, the government provides universal grant funding to homeowners across England and Wales through the Boiler Upgrade Scheme (BUS), helping to reduce the upfront cost of installing low-carbon heating systems.

As agreed in the 2025 Autumn Budget, the Warm Homes Plan has allocated approximately £2.7 billion to support the expansion of the BUS to 2029/30, and this Summary Business Case sets out a formal commitment of £2,392 million capital funding (CDEL) over financial years 2026/27 to 2029/30. £295m in funding for 2025/26 was previously agreed as part of a separate business case.

The BUS will continue to provide grant support of £7,500 towards the upfront cost of installing air-to-water heat pumps (AWHP) (previously known as air source heat pumps (ASHP)) and ground source heat pumps (GSHP) to eligible applicants in England and Wales, including £5,000 for biomass boilers in limited circumstances. From 2026/27, the scheme will also introduce new £2,500 grants to support the installation of air-to-air heat pumps (AAHPs) and for heat batteries for central heating, once appropriate product and installation standards are in place.

This Summary Business Case provides an overview of the approved business case for the BUS, outlining its purpose, expected costs and benefits, and the rationale for the selected delivery option (Option 2) through to 2029/30.

# Strategic Case

*This strategic case sets out the rationale for continuing the Boiler Upgrade Scheme (BUS) through to 2029/30 and explains how the scheme aligns with government priorities and supports the transition to low-carbon heating. It also outlines the scheme's aims and intended outcomes.*

## Context

Heat in buildings is responsible for approximately 21% of the UK's territorial greenhouse gas emissions.[1] Meeting the UK's legally binding targets to reach a 81% reduction in carbon emissions by 2035 and net zero by 2050 requires decarbonising virtually all heat in buildings by 2050.[2] Significant progress is required over Carbon Budgets 5 (2028-2032) and 6 (2033-2037), making this a critical decade for decarbonising heat. Heat pumps on average operate at around three times the efficiency of gas boilers and are suitable for most properties, making them an important technology for reducing emissions in existing homes. They also play a key role in improving the capital productivity of the UK economy across the built environment. Importantly, decarbonising heat reduces the UK's reliance on natural gas. The Office for Budget Responsibility has estimated that responding to future gas price shocks could cost twice the direct public expenditure needed for the Net Zero transition.[3] However, heat pump deployment remains low compared to fossil fuel alternatives.[4]

Around 85% of homes are currently heated with a gas boiler and 1.5-1.7 million gas boilers are replaced each year. Accelerating the transition away from fossil fuels plays a major role in reducing the country's dependence on volatile global gas markets and improving domestic energy security in the longer term. Combined with further renewable electricity generation coming online, supporting the transition to heat pumps through the BUS aligns with our plans to make Britain a clean energy superpower.

The BUS is part of a broader set of measures which collectively drive demand for heat pumps and support the establishment of strong supply chains, to enable the growth of a sustainable low carbon heating market. Alongside supporting the installation of low carbon heating, this collection of wider policies and market interventions, including the BUS, will begin to drive down the capital and operational costs of heat pumps, creating a more sustainable sector.

Continuation of the BUS will also help increase the number of jobs supported in the low carbon heating sector, contributing to the Growth Mission to kickstart the economy. To meet heat pump deployment targets set out in the Warm Homes Plan, the workforce would need to

1 Source: 2024 provisional UK territorial greenhouse gas emissions statistics.
2 Source: UK's 2035 Nationally Determined Contribution (NDC) emissions reduction target under the Paris Agreement - GOV.UK.
3 Source: Fiscal risks and sustainability – July 2023 - Office for Budget Responsibility.
4 Source: English Housing Survey 2023 to 2024: low carbon technologies in English homes - fact sheet - GOV.UK.

increase to approximately 12,000 full time equivalent (FTE) installers by 2030. There are approximately 10,000 trained installers currently active in the market today, many of whom continue to work on gas boilers alongside their growing heat pump customer base. This results in approximately 4,000 full time equivalent (FTE) installers. Around 7,000 individuals completed heat pump training in 2024, so we are well in line with current training needs to grow the workforce.

# Rationale for Intervention

## Justification for continuing the scheme

The current UK market for low carbon heat is relatively small but growing rapidly. In 2024, the UK became the fastest growing heat pump market in Europe and this growth continued into 2025, with heat pump sales reaching a record high of over 125,000 and a 40% increase in BUS-supported installations.[5,6] The Warm Homes Plan aims to build on this progress, targeting over 450,000 installations per year by 2030. However, these technologies are still more expensive, notably in the context of retrofitting existing homes, compared to conventional heating options. It is, on average, £9,000 more expensive to install a heat pump than to replace an existing fossil fuel heating system without the support of a BUS grant.[7,8] Although installation costs for BUS-supported heat pumps have fallen by 11% since the scheme began in 2022, a capital cost gap remains.[9]

To date, the scheme has achieved high overall satisfaction. Scheme evaluation data has shown that 90-95% of property owners are satisfied with their heat pump installed through the BUS. [10,11] The BUS Evaluation also found that 87% of property owners were satisfied with their overall experience of the scheme, with around two-thirds (69%) citing the availability of the grant as the trigger for their installation.[12] Most commonly, property owners also reported a decrease in their energy bills following installation.[13]

Despite performing well operationally, demand was lower than expected during the first year of the scheme (2022/23). A review concluded the capital cost gap between fossil fuel systems and heat pumps remained the key barrier to deployment, so we increased the grant level from

5 Source: Statistics | Heat Pump Association UK.
6 Source: Boiler Upgrade Scheme statistics - GOV.UK.
7 The median AWHP (formerly ASHP) installation cost of approximately £12,500 (in 2024/25) based on the Boiler Upgrade Scheme statistics - GOV.UK (Table A1.3A).
8 The average cost of a gas boiler (including VAT) is estimated to be approximately £3,500 based on DESNZ internal analysis, which applies research conducted by Eunomia on the costs of heating systems in the UK to English and Welsh housing stock data. Source: The Cost of Heating Appliances: A Comprehensive UK Database - Eunomia.
9 Table A1.1A: Boiler Upgrade Scheme statistics - GOV.UK adjusted for inflation using the CPI measures from ONS: Inflation and price indices - Office for National Statistics.
10 The 90% figure is from the BUS Evaluation Property Owner Follow Up Survey and is based on satisfaction after one heating season of use. Source: Evaluation of the Boiler Upgrade Scheme - GOV.UK
11 The 95% figure is from an MCS-administered survey of Boiler Upgrade Scheme installations. Source: MCS outreach reveals high satisfaction rates for Boiler Upgrade Scheme installations - MCS
12 The reported property owner satisfaction levels with various aspects of the scheme are published in the BUS property owner survey. Source: Evaluation of the Boiler Upgrade Scheme - GOV.UK
13 Source: Evaluation of the Boiler Upgrade Scheme - GOV.UK

£5,000 for air-to-water heat pumps (AWHPs) and £6,000 for ground source heat pumps (GSHPs), to £7,500 in October 2023. In May 2024, we also removed the requirement to fulfil recommendations for loft and cavity wall insulation provided on the property Energy Performance Certificate, as this was identified as a significant practical and financial barrier to installation.

Following these changes, application volumes rose sharply and have continued to increase. In 2024/25 the full scheme budget was utilised and a further £39 million was provided utilising departmental capital (CDEL) underspend to meet excess demand. However, given the barriers facing consumers in adopting low carbon heating, government support is still needed. The BUS operates alongside a wider set of government interventions designed to increase demand for heat pumps and to help develop a resilient, competitive low carbon heating market which is not dependent on long term government subsidy. However, ongoing subsidy through the BUS is currently required to support manufacturers and installers by giving them the confidence to invest and scale up the market in line with consumer demand.

### Strategic fit with government priorities

**Clean Energy Superpower Mission:** The BUS directly contributes to this mission, delivering energy security with cheaper, zero-carbon heat by supporting heat pump installations. A significant increase in heat pump deployment is vital to sustain a viable electrification-led pathway to decarbonising heat, achieving net zero and driving carbon reductions through removal of high carbon fossil fuel systems.

**Growth Mission:** The BUS indirectly contributes to this mission as the expansion of heat pump deployment is expected to support significant numbers of low-carbon and renewable energy jobs (12,100 – 15,300 full time equivalent (FTE) directly supported and 3,400 – 4,300 FTE indirectly) and create opportunities for UK manufacturing, as identified in The UK's Modern Industrial Strategy.

**Other outcomes:** Decarbonising and upgrading homes is critical to meet our legally binding net zero targets, which contribute to the prevention of the cascading national security implications of climate change - supporting work on National Security. In addition, switching to low carbon heat and upgrading homes will improve air quality and eradicate cold and damp homes, supporting the Health Mission.

**Application across the four nations:** The BUS applies to England and Wales. At the outset of the scheme, we worked with Northern Ireland, Scotland and Wales to ensure consistency with their policies and continue engaging them throughout the scheme's lifetime. We remain open to extending the scheme to include Scotland and Northern Ireland.

## Scope

The BUS is targeted at existing homes and small non-domestic buildings both on and off the gas grid, in England and Wales, that typically have an incumbent fossil fuel heating system (for example, oil, coal, liquefied petroleum gas (LPG), and natural gas). Support under the BUS is

available for the following technologies: AWHPs, GSHPs (including as part of a shared ground loop), and biomass boilers.

Biomass boilers are eligible in limited circumstances, targeting properties where it is a more suitable technology, for example where energy efficiency measures are cost prohibitive. They are not eligible for urban properties to manage the impact of burning biomass upon air quality. Following a public consultation, we opened the scheme to applications for air-to-air heat pump (AAHPs) grants (i.e. where space heat is delivered via air rather than water) and we intend to provide grants for heat batteries through planned changes to scheme regulations. We expect that the scheme will begin accepting applications for heat batteries during 2026/27.

## Objectives

The objectives for the BUS between 2026/27 and 2029/30 are:

1. **Increase deployment of low carbon heating systems**, particularly heat pumps, but also heat batteries and in limited circumstances biomass boilers, in 350,000 – 436,000 homes and small non-domestic buildings through full budget utilisation by 2030 under Option 2. This supports the aims of the clean energy superpower mission to decarbonise homes and meet net zero targets.
2. **Contribute to decarbonising heating** in England and Wales and to meeting carbon budgets by delivering up to 12.3 MtCO2e – 15.5 MtCO2e over the lifetime of the scheme.
3. Stimulating demand for low carbon heating technologies via the BUS grant to **grow the low carbon heating market**. With full budget utilisation, this will subsequently support 12,100 – 15,200 direct FTE and 3,400 – 4,300 indirect FTE up to March 2030, as well as contributing significantly towards realised a 20 – 25% real terms reduction in the average cost of a BUS supported AWHP installation by 2030 relative to 2022/23.

## Public Sector Equalities Duty

To comply with the Public Sector Equality Duty we have given due regard to the potential impact of the BUS on people with protected characteristics as set out in s.149 of the Equality Act 2010. The continuation of the BUS is not expected to have direct disproportionate impacts on any groups with the protected characteristics. The BUS is a demand-led scheme with deployment across England and Wales. The main intended outcome of the policy, carbon emissions reductions to contribute to meeting Carbon Budgets 4 (2023-2027), 5 (2028-2032) and 6 (2033-2037), is a non-excludable public good and therefore expected to benefit the majority of the population without distributional impacts for specific groups.

# Economic Case

*This economic case includes a cost-benefit analysis in line with Green Book guidance to estimate the impacts of each option. Please see the published Boiler Upgrade Scheme (BUS) Extension Impact Assessment to review the complete options appraisal. The methodology, evidence base, impacts appraisal and sensitivity analysis are set out in full within the Impact Assessment.*

## Options Considered

The extension of the BUS until 2030 will maintain the provision of capital grants to support the installation of low carbon heating. This economic case considers the following options:

- **Option 1 (Counterfactual)**: The BUS will offer no support for low carbon heating systems in domestic and small non-domestic buildings beyond March 2026. The budget for 2025/26 is £295 million.
- **Option 2 (Preferred Option)**: Continue to provide targeted support through the extension of the BUS scheme (supported by an additional £2,392 million across 2026/27 to 2029/30) through an upfront capital grant for air-to-water heat pumps (AWHPs), ground source heat pumps (GSHPs) and biomass boilers. Additionally, expand the scheme's eligibility criteria to offer support for the installation of air-to-air heat pumps (AAHPs) at a grant level of £2,500.

## Cost Benefit Analysis and Options Appraisal

It is assumed that the BUS budgets will be spent in each year. For options 1 and 2, Green Book-consistent cost benefit analysis has been conducted. The results, including the net present social value (NPSV), benefit-to-cost ratio (BCR) are presented under the Impacts Appraisal subheading within the BUS Extension Impact Assessment, which is followed by a sensitivity analysis for option 2.

Under Option 2, the BUS extension allocates £2,392 million over the four-year period between 2026/27 and 2029/30, as shown in table 1 below. Please note funding for 2025/26 was agreed as part of a previous business case.

**Table 1: Annual grant budgets for the BUS extension (£m)[14]**

| 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | Total (2025/26 - 2029/30) |
|---|---|---|---|---|---|
| 295 | 400 | 600 | 683 | 709 | 2,687 |

Analysis has been conducted to estimate the costs and benefits associated with low carbon heating technologies. The quantified costs and benefits contributing to the NPSV are:

- **Carbon emission savings**: the estimated value of the carbon abated in both the traded and non-traded sectors due to low carbon heating technologies displacing counterfactual heating systems.
- **Air Quality Damage Impacts**: the estimated value of the public health impacts of changes to emissions of Nitrogen Oxides and Particulate Matter.
- **Long run variable costs (LRVCs) of energy supply:** The estimated value to society of the change in energy demand due to low carbon heating technologies displacing counterfactual heating systems.
- **Capital expenditure (Capex):** The estimated capital cost of installing low carbon heating technologies, relative to the counterfactual.
- **Operating expenditure (Opex):** The estimated annual cost of maintaining low carbon heating technologies, relative to the counterfactual. This does not include the cost of bills associated with heating systems – which are accounted for by the LRVC metric outlined above – in line with Green Book principles for the valuation of energy use and greenhouse gas emissions.

**Table 2: Central estimates of discounted monetised benefits for options 1 and 2 (£m, rounded to the nearest £5 million, 2025/26 price base year)**

| Social Benefit | Option 1 | Option 2 |
|---|---|---|
| Non-Traded Carbon Emissions | +485 | +3,770 (+4,615) |
| Air Quality Impacts | +50 | +350 (+420) |
| **Total benefits** | **+535** | **+4,120 (+5,035)** |

[14] The annual grant budgets include funding for the Heat Pump Ready grant (up to £30 million in total between 2026/27 and 2029/30).

**Table 3: Central estimates of discounted monetised costs for options 1 and 2 (£m, rounded to the nearest £5 million, 2025/26 price base year)**

| Social Cost | Option 1 | Option 2 |
|---|---|---|
| LRVC Impacts | -10 | -95 (-130) |
| Capex | -235 | -1,605 (-1,945) |
| Opex | -35 | -350 (-410) |
| Traded Carbon Emissions | -45 | -210 (-250) |
| **Total costs** | **-320** | **-2,260 (-2,735)** |

**Table 4: Central estimates of discounted monetised costs and benefits for options 1 and 2 (£m, rounded to the nearest £5 million, 2025/26 price base year)**

| | Option 1 | Option 2 |
|---|---|---|
| **Total benefits** | +535 | +4,120 (+5,035) |
| **Total costs** | -320 | -2,260 (-2,735) |
| **NPSV** | +215 | +1,860 (+2,300) |
| **BCR** | 1.67 | 1.82 (1.84) |

Option 2 generates a positive NPSV, which remains positive across all sensitivities tested. The largest benefit is the reduction of carbon emissions. The largest monetised social cost is the capex required to install BUS-supported low-carbon technologies relative to the cost of a like-for-like replacement of incumbent heating systems.

To support long-term considerations for the development of a self-sufficient low carbon heating market, as part of option 2 we modelled hypothetical scenarios where installation costs and the market had developed sufficiently for the AWHP grant levels to be tapered without impacting the primary purpose of the scheme, to stimulate demand. The hypothetical scenarios considered were to start tapering in the middle or at the end of the extension period towards £5,000 and the NPSV remained positive. The upper bound of what could be achieved in these scenarios is as shown by the bracketed figures in tables 2 to 4.

Alongside the monetised impacts, the scheme generates a range of non-monetised costs and benefits, such as those relating to supply chain development, innovation, consumer familiarity and perception towards low-carbon heating and health impacts. Although not quantified, these impacts remain important considerations when assessing the wider effects of the scheme.

# Commercial Case

*This commercial case sets out how the Boiler Upgrade Scheme (BUS) is delivered. It outlines the scheme's delivery model and commercial strategy.*

## Commercial Arrangements

Ofgem, the energy regulator for Great Britain, has administered the BUS on behalf of the Department for Energy Security and Net Zero (DESNZ) since the scheme began in April 2022. Ofgem's responsibilities are underpinned by the BUS regulations. Three governance layers manage the relationship between DESNZ and Ofgem. The first is the regulations that underpin the scheme eligibility and set out the essential functions that Ofgem must carry out. The second is an overarching Memorandum of Understanding (MOU) between DESNZ and Ofgem sets out key accounting principles such as cost recovery mechanisms and financial reporting requirements. The third is the scheme specific governance, which covers any areas not set out in either the regulations or MoU and consists of a structured set of boards and forums that provide assurance, manage risk and enable escalation and decision making.

DESNZ and Ofgem have an agreed set of Key Performance Indicators (KPIs) to monitor Ofgem's delivery of core scheme functions. These include voucher processing, audits and compliance investigations, and enquiries. Ofgem report against the KPIs monthly, with additional management information shared on a weekly and monthly basis.

DESNZ also operates under a formal MOU with the Microgeneration Certification Scheme (MCS), the leading quality assurance organisation for microgeneration (less than 50kW) technologies in the UK. The MCS is an installer certification scheme which promotes high quality installations and robust consumer protection. The MOU sets out the principles, responsibilities, and governance arrangements for collaboration across microgeneration and environmental incentive schemes, including the BUS. This relationship ensures that installations are delivered to high standards, with MCS supporting compliance, consumer protection, and fraud mitigation through certification, outreach, and audit activities.

## Scheme Administrator

Ofgem was selected as the scheme administrator through a Delivery Model Assessment prior to scheme launch in 2022. We assessed the delivery options against the strategic and operational evaluation criteria of 'Capability and Capacity', 'Cost-effectiveness' and 'Flexibility' in which Ofgem scored the highest.

The scheme has been operationally successful in its first four years. Following an initial phase of manual delivery, DESNZ and Ofgem have made significant investment into operational and digital processes. The platform now has high levels of self-service allowing installers to apply, amend, withdraw and redeem a voucher as well as updating their business/personal details.

Moreover, a lot of the application process, and review procedures, have been automated using application programming interfaces (APIs) to verify application details such as the Energy Performance Certificate and the MCS certificate database. This has driven administrative efficiencies and streamlined the application route for installers, and property owners.

DESNZ is preparing for the establishment of a Warm Homes Agency in 2027. This new executive agency will comprise of some of the delivery functions that currently take place in Ofgem. However, the specific schemes, responsibilities and transition plans for the Agency are still to be determined.

# Financial Case

*This section sets out the funding requirements, budget arrangements, and the financial risk management measures for the Boiler Upgrade Scheme (BUS) extension.*

## Scheme Budget

The budget for the BUS extension from 2026/27-2029/30 is £2,392 million (CDEL). The capital spend profile for BUS is designed to provide increasing year-on-year support to the market to scale up as necessary to meet carbon budgets and the heat pump deployment target of over 450,000 installations per year by 2030, as set out in the Warm Homes Plan. The scheme's resource funding (RDEL) will be subject to annual business planning which will take into account the fiscal context. The table below sets out the BUS capital (CDEL) expenditure for the period 2026/27 to 2029/30.

**Table 5: Annual grant budgets (CDEL) for the BUS extension (£m)[15]**

| 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | Total (2025/26 - 2029/30) |
|---|---|---|---|---|---|
| 295 | 400 | 600 | 683 | 709 | 2,687 |

## Budget Arrangements

As a demand-led scheme, grant payment spend depends on uptake and the specific technologies installed (noting different technologies have different grant levels). However, fixed grant amounts per installation, rather than proportional grants, reduce the spend uncertainty. Scheme uptake and spend are closely monitored through our governance arrangements. Ofgem will continue to implement a robust audit and compliance programme to minimise the value of erroneous spend. Our governance arrangements will oversee fraud, compliance and gaming to ensure that mechanisms in place remain appropriate for preventing, detecting and resolving fraud, non-compliance, and gaming and to ensure funding is spent in line with government priorities.

As the scheme administrator, Ofgem manage disbursing grant payments to installers. Payments are made in arrears in line with the principles of Managing Public Money. DESNZ ensure Ofgem has enough money available to pay installers promptly following voucher redemption. Given the unpredictability of demand for vouchers and redemption patterns, DESNZ also ensures that Ofgem has sufficient funds to cover reasonably foreseeable levels of demand and to manage this uncertainty. This is completed monthly with Ofgem sending over a

[15] The annual grant budgets include funding for the Heat Pump Ready grant (up to £30 million in total between 2026/27 and 2029/30).

drawdown, with evidence, of payments made in the previous month, current bank balance and projections. These are reviewed against deployment figures provided by Ofgem i.e. vouchers paid within the Management Information.

# Financial Risk

The main financial risks for the scheme are demand risks (i.e. if scheme uptake were higher or lower than anticipated) and compliance risks.

## Demand risk

There is a risk of underspend if the BUS receives an unexpectedly low number of applications due to several factors including low public awareness or interest in the scheme, the benefits of other heat pump policies do not materialise and barriers to uptake such as the comparative cost of gas and electricity.

We are working with teams across DESNZ, and stakeholders, to work to address other financial and practical barriers to uptake. These are set out in the Warm Homes Plan. Moreover, we will continue to monitor Management Information data on a monthly and weekly basis to ensure that scheme take up is fully understood and we can react accordingly.

The risk of overspend on the BUS is low as Ofgem ordinarily issues vouchers up to the level of the available annual budget. However, the Secretary of State may, when required, authorise Ofgem to issue additional vouchers beyond this limit. This creates the potential for overspend however we closely monitor financial forecasts to ensure any potential overspend can be managed within departmental capital budgets. If we project that demand will significantly exceed the available budget for the financial year, we could consider reducing grant levels to extend the reach of the available budget.

## Timing for potentially introducing a quarterly cap

To avoid spending the annual budget allocation too early in a financial year, the Secretary of State may limit the number of vouchers that can be issued in a particular quarter. A quarterly cap means no more vouchers than the value above that specified by the cap may be issued. If a quarterly cap is to come into place, the Secretary of State must publish this fact before the relevant quarter begins. For example, if a cap is required for quarter 3 of the BUS (e.g. 1 October – 31 December), this must be notified before 1 October. Should DESNZ decide a quarterly cap is required, a recommendation should be considered and agreed through the established governance arrangements.

## Overallocation

The decision to over allocate would be informed by market intelligence, scheme data and voucher application and redemption patterns. The process was successfully deployed in 2024/25 to ensure demand under the scheme was met.

Should DESNZ determine that overallocation is recommended, the proposal will be reviewed through the established governance arrangements before a final decision is taken by the DESNZ Accounting Officer and the Secretary of State.

## Risk and audit

High levels of fraud, non-compliance and gaming could lead to poor value for money and reputational damage. We have therefore worked closely with Ofgem and key stakeholders, including MCS and the consumer codes, to design a scheme that minimises the opportunity for fraud and gaming while ensuring controls do not limit legitimate deployment of low carbon heating. Fraud, non-compliance and gaming risks are captured in our Fraud Risk Assessment which is reviewed and updated every quarter.

# Management Case

*This management case sets out how the Boiler Upgrade Scheme (BUS) will be governed, delivered, and monitored. It outlines the scheme's arrangements for assurance as well as our approach to risk management and evaluation.*

## Milestones

Key BUS milestones include:

- Spending Review concluded – 11 June 2025
- Gateway 3 Review of the BUS completed – 25 September 2025
- Portfolio Investment Committee (now the Investment Committee) approval – 16 October 2025
- Amendments to the BUS (part 1): government response published – 18 November 2025
- Treasury Approval Process (TAP) approval – 17 December 2025
- Warm Homes Plan published – 21 January 2026
- Amendments to scheme regulations come into effect – 28 April 2026

## Governance

### Purpose and scope

Governance for the BUS extension period builds on the arrangements in place for the original duration of the scheme, with some amendments to reflect the maturity of the scheme and lessons learnt from ongoing scheme delivery.

The purpose of the governance is to provide continued oversight of administration of the scheme, assurances and funding, and to monitor delivery against scheme objectives, including managing risks and issues.

The functions of the governance are:

- Support grant management and funding assurance and approvals processes.
- Assess and monitor key project deliverables, escalating any risks and issues where required.
- Align communications between DESNZ, Ofgem and other government departments.
- Provide DESNZ with a route to make decisions on policy, legislation and change implementation.
- Manage dependencies with other Electrification of Heat projects and workstreams.

### Overview of governance structure and reporting arrangements

A range of other policies support deployment under the BUS, including supporting growth in the supply chain through the Clean Heat Market Mechanism, investing in new heat pump manufacturing capacity through the Heat Pump Investment Accelerator and helping installers train through the Heat Training Grant. To manage dependencies with other policies, a Heat Pump Sub-committee will act as a central governance forum, providing strategic direction to overcome key barriers to heat pump deployment and escalate risks and issues to the Net Zero Buildings Portfolio Board, where required, within the department.

Additionally, the BUS governance is supported through a structured engagement approach, with a regular BUS Project Board and the BUS Project Director convening fortnightly meetings with the scheme administrator, ensuring alignment on delivery priorities, risk management and issue resolution.

The existing scheme governance also includes the BUS Delivery Board, which provides transparency, review and information-sharing on digital and operational upgrades; the Cost Control Board, which oversees the scheme's finances; and several established forums dedicated to the regular review of fraud and error within the scheme, notably the Quarterly Assurance Board. Clear escalation procedures are in place to ensure the Senior Responsible Owner is appropriately informed, enabling timely implementation of potential mitigation measures.

In July 2024, the BUS was also accepted on the Government Major Projects Portfolio (GMPP) to reflect the scheme's status as the government's flagship scheme for supporting the domestic clean heat market. Over the extension period, the scheme will continue to meet annual reporting requirements, published by the National Infrastructure and Service Transformation Authority (NISTA), which monitors the progress of projects currently included in the GMPP and analyses their performance, including a Delivery Confidence Assessment rating and financial information.

## Monitoring and Evaluation of Benefits

Scheme monitoring has been taking place since scheme launch and will continue until 2030. Data is collected by Ofgem when an application to the scheme is registered and then at various stages throughout the application and redemption process. The data is subsequently transferred to DESNZ and is merged with data from several other datasets to provide additional insights into the installations and the properties where the installations are. Scheme monitoring is used to produce monthly official statistics and also to undertake internal reporting and ad hoc analysis and is used for benefits management and in the evaluation of the scheme.

The first phase of the BUS which ran from April 2022 to March 2025, was subject to an extensive, externally commissioned evaluation that considered the effectiveness of scheme delivery, its impacts and value-for-money. Interim findings have been published, and a final report will be published in 2026. Evaluation of the scheme between 2025/26 and 2029/30 is

subject to further evaluation as part of a wider Electrification of Heat Multi-Policy Evaluation. The evaluation will support continue impact and value-for-money analysis. The evaluation will also ensure that learnings can inform policy decisions during the scheme's lifetime.

# Risk Management

## Risk appetite

The BUS complies with the DESNZ Risk Appetite Statement, and endeavours to keep all risks within the boundaries of the departmental appetite limits. Any risks that fall outside this boundary will follow the appropriate escalation route.

## Risk management framework

The BUS follows the DESNZ Risk Management Framework. The BUS Project Management Office oversee the management of the risks to the successful development and delivery of the BUS. Regular risk review and reporting is embedded in our risk management approach. It is used to ensure that new risks are identified, together with an appropriate risk owner, and risk mitigating actions are implemented and progressed effectively by risk action owners. Fraud and error risks under the BUS are managed through the BUS Fraud Risk Assessment, which is reviewed ahead of quarterly assurance meetings, discussed in monthly DESNZ–Ofgem risk audit meetings, and reported to the established governance arrangements, with priority risks fed into the overall DESNZ Risk Management Framework.

This publication is available from: https://www.gov.uk/government/publications/boiler-upgrade-scheme-bus-extension-summary-business-case

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