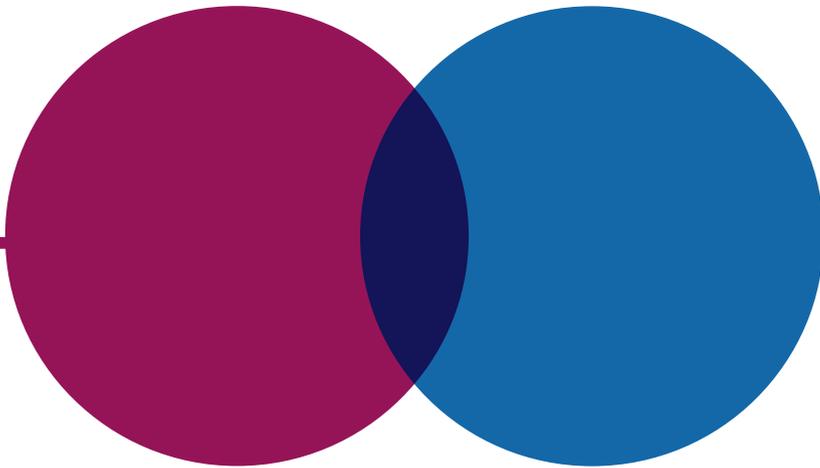




National Audit Office



REPORT

# Investigation into the government's intervention in British Steel's Scunthorpe site

Department for Business and Trade

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SESSION 2024–2026  
16 MARCH 2026  
HC 1736



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National Audit Office

# Investigation into the government's intervention in British Steel's Scunthorpe site

**Department for Business and Trade**

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## **Report by the Comptroller and Auditor General**

Ordered by the House of Commons  
to be printed on 12 March 2026

This report has been prepared under Section 6 of the  
National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

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**Gareth Davies**  
**Comptroller and Auditor General**  
**National Audit Office**

**9 March 2026**

## Investigations

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# Contents

<b>Key facts</b>	4
<b>What this investigation is about</b>	5
<b>Summary</b>	8
<b>Part One</b>	
The UK steel industry	14
<b>Part Two</b>	
Events leading up to the 2025 intervention	24
<b>Part Three</b>	
The current status of the intervention	29
<b>Part Four</b>	
Future considerations	44
<b>Appendix One</b>	
Our audit approach	48

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## Key facts

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**£377mn**

amount spent on supporting British Steel between 12 April 2025 and 31 January 2026

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**3mn tonnes**

British Steel's annual production capacity – it has the UK's last remaining blast furnaces operating at its Scunthorpe site

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**4,052**

number of British Steel permanent employees at 31 January 2026

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**£500 million** amount the government offered on 24 March 2025 to support British Steel's owner, Jingye, to help reduce carbon emissions by converting the blast furnaces at Scunthorpe to electric arc furnaces; Jingye did not accept this offer

**£2.5 billion** amount the government committed to supporting the UK steel industry, intended for initiatives such as electric arc furnaces, or other improvements to UK capabilities. This is in addition to the £500 million committed to Tata Steel's transition to electric arc furnace production at Port Talbot

**£700,000** Jingye's reported estimated daily losses, which it said were caused by challenging market conditions, tariffs, and high environmental costs

**1** day's worth of iron ore pellets, a critical raw material for the operation of the blast furnaces, remaining until minimum levels were reached at Scunthorpe on 25 April 2025

**80%** of Network Rail's steel requirement supplied by British Steel as part of its £500 million supply contract

**£15 million** amount spent by the Department for Business and Trade (DBT) on advisers between 12 April 2025 and 31 January 2026

# What this investigation is about

## Introduction

**1** Steel is used in construction, defence, manufacturing and transportation. The UK steel industry has faced challenges from high energy costs, excess supply in the global market, and the need to decarbonise steel production. The government has long monitored these challenges and has taken steps to support the industry, for example by cutting energy costs for businesses, issuing guidance for the public sector to procure domestically where possible, and providing grant funding for decarbonisation initiatives. Despite long-term declines in output and employment in the steel sector, the UK has an active industry, with producers operating various types of steelworks in sites across the UK.

**2** British Steel has a production capacity of three million tonnes per year. It employed 4,052 permanent staff as at 31 January 2026, and its products are used in sectors including rail, construction and engineering. Key customers include Network Rail; British Steel currently supplies 80% of Network Rail's steel requirements under a £500 million contract. British Steel's integrated steelworks site at Scunthorpe, Lincolnshire, has the last remaining operational blast furnaces in the UK, which make primary steel using imported raw materials. Integrated processes on site use the main product (steel) and by-products (energy) from the blast furnaces to produce products such as rail tracks and wire rod.

**3** Blast furnaces produce steel from materials including coke, limestone, and iron ore. They are energy intensive and large emitters of carbon.<sup>1</sup> Electric arc furnaces produce steel by using electricity to melt recycled or scrap metal; they have a lower carbon footprint than blast furnaces and are less labour intensive. Converting blast furnaces to electric arc furnaces is a long and costly process. The Department for Business and Trade (DBT) commissioned a review of UK primary steelmaking from the Materials Processing Institute in 2025, which shows that, while technically all grades of steel can be produced using electric arc furnaces, some grades may be more challenging to produce economically using electric arc furnaces. Transition from blast furnaces to electric arc furnace production is underway at Tata Steel's Port Talbot site in South Wales, which the government is providing £500 million of grant funding towards. Tata Steel closed its blast furnaces to begin the transition process in 2024, which it expects to complete in 2027. This has left British Steel with the last two working blast furnaces in the UK.

<sup>1</sup> Coal is primarily used to produce coke – an essential blast furnace fuel and reducing agent. Pellets are a source of iron (a precursor to steel) in the form of iron ore. Sinter fines (often abbreviated to sinter) is a manufactured mix of iron ore, coke, and limestone used as the primary feed in a blast furnace.

**4** Transition from blast to electric arc furnaces was a key matter of discussion between the government and Jingye Group (Jingye), the owner of British Steel, between 2023 and 2025 (**Figure 1**). There were several rounds of engagement and proposals for the transition, but none were mutually acceptable. In March 2025, Jingye announced it was losing £700,000 a day due to challenging market conditions, tariffs, and high environmental costs, and said it would launch a consultation on the closure of its blast furnaces – a process that is costly and complicated to reverse. The government, led by DBT, intervened to prevent what it considered would be an imminent and disorderly closure of the blast furnaces.

### **Our scope**

**5** This investigation examines the government's 2025 intervention in British Steel's Scunthorpe site, led by DBT. It focuses on:

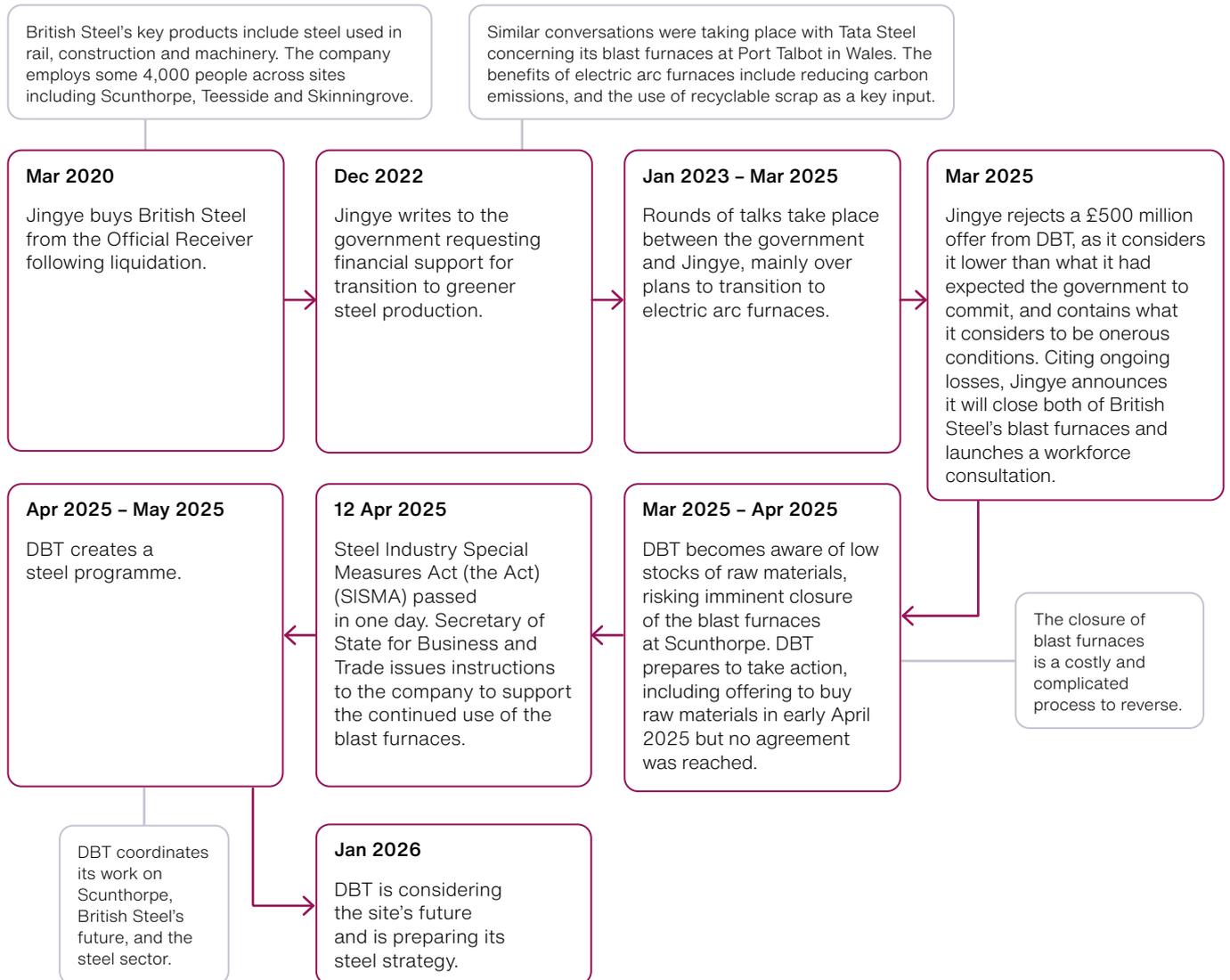
- the wider context and background of the intervention (Part One);
- events leading up to the intervention (Part Two);
- the current operations, costs, and risks (Part Three); and
- future considerations (Part Four).

**6** This investigation does not evaluate the value for money of this intervention or compare the effectiveness of this intervention with other government interventions in the steel sector or more broadly.

**Figure 1**

An overview of events leading up to and including the government's intervention in British Steel

**The Department for Business and Trade (DBT) had been in conversation with Jingye, British Steel's owner, for several years prior to the intervention**



#### Notes

- Jingye Group Co Ltd, a company incorporated in China, remains the owner of 100% of British Steel Ltd's shares. Ownership is through the following holding companies: Jingye Steel (UK) Holding Ltd, a UK company; and Jingye International (HK) Holdings Company Ltd, a company incorporated in Hong Kong.
- British Steel entered compulsory liquidation in 2019 after experiencing financial difficulties under its previous owner, Greybull Capital.
- Blast furnaces use coke, limestone, and iron ore as key raw materials in their production, and emit large amounts of carbon dioxide. Moving to electric arc furnaces reduces the amount of carbon emissions in steel production compared with blast furnaces, but the type of steel produced is different.
- British Steel's Scunthorpe site is an integrated steelworks. It is a large site encompassing four blast furnaces (of which two are operational), rolling mills, and a welding facility, and is able to generate part of its power requirements using by-product fuels.
- There were several rounds of engagement between Jingye and DBT between 2023 and 2025.
- Blast furnaces require certain conditions for their optimal operation. Once a blast furnace cools below a certain temperature, it can be costly and complicated to bring the furnace back up to optimal production.

Source: National Audit Office analysis of Department for Business and Trade information

# Summary

## Key findings

Background and events leading up to the 2025 intervention

**7 British Steel has a history of government involvement and changed ownership several times before being bought by Jingye in 2020.** British Steel was formed as a nationalised company in 1967. It has made losses in several years since it was created, and over time has declined in size. It was privatised in 1988, but briefly returned to public sector control in 2019 after the then owner, Greybull Capital, failed to secure further government funding (£30 million) to cover the company's cash shortfall; it was then placed into insolvency. Jingye purchased the company from the Official Receiver in 2020 and committed to invest £1.2 billion in the business to place it on a more competitive and sustainable footing. DBT's steel team has been monitoring British Steel's deteriorating financial performance since 2020 (paragraphs 1.4 to 1.9 and Figures 4 to 6).

**8 Between 2023 and 2025, DBT and British Steel's owner, Jingye, had been discussing plans to decarbonise steel production by converting British Steel's blast furnaces to electric arc furnaces, but talks did not reach a conclusion.** Discussions primarily focused on transition plans, and Jingye had been clear about British Steel's financial and operational challenges. In July 2024, Jingye told DBT its financial position was "unsustainable" and that it would have to close the blast furnaces. The government was not prepared to offer more than £500 million, which it proposed on 24 March 2025, recognising the challenging context in which British Steel had been operating. On 25 March, Jingye did not accept this offer and told DBT it was launching a consultation on the closure of blast furnaces in Scunthorpe, as early as June 2025. Jingye told us that it considered the offer was lower than it had expected the government to commit, and contained what it considered to be onerous conditions. British Steel publicly announced the consultation on 27 March 2025. DBT officials' advice to ministers on 28 March noted that there was "no affordable solution to maintain steel-making at Scunthorpe" and recommended a focus on mitigating the impact of potential job losses on the local area. DBT told us that it had no budget or legal power to intervene at that time, and that there was no strong value for money case to do so, advising instead to focus on the impact on the local area and to support steelmaking elsewhere (paragraphs 2.2 to 2.6 and Figure 7).

**9 Recognising the risk of raw materials running out and that timescales were critical, DBT decided to intervene and acted quickly to prevent what it considered would be the imminent and disorderly closure of the blast furnaces.** Prior to the intervention, DBT had requested regular updates on the status of raw material supplies from British Steel management. On 31 March 2025, DBT learned that orders of raw materials were being cancelled or diverted, increasing the risk of closure. This would have affected key customers, with cost and timing implications for other companies in the supply chain. If raw materials ran out and blast furnaces were allowed to cool, they would have been costly and complicated to restore. DBT offered to buy raw materials for British Steel. On 12 April 2025, the Secretary of State for Business and Trade issued a ministerial direction in support of government intervention to maintain operation of British Steel's blast furnaces, noting that this was in the public interest.<sup>2</sup> The ministerial direction was issued due to the need to act urgently and a lack of information for DBT's Accounting Officer to be satisfied that the Accounting Officer standards were met. This ensured the site could continue running and would allow DBT time to undertake a full national security and economic assessment of steelmaking in the UK. DBT quickly mobilised a team to implement this intervention, drawing in Ernst & Young LLP (EY) and people from elsewhere in government (paragraphs 2.7 to 2.10 and 3.4, and Figures 6 and 9).

## Introduction of the Steel Industry (Special Measures) Act 2025

**10 The Steel Industry (Special Measures) Act 2025 (the Act), passed on 12 April 2025, allows the Secretary of State for Business and Trade to formally instruct British Steel.** Parliament was recalled on Saturday 12 April 2025 and passed the emergency legislation. The Act authorises the Secretary of State to issue instructions to steel undertakings, where required, to prevent them from ceasing operations.<sup>3</sup> To ensure unhindered access and the safe and continued operation of the blast furnaces, Jingye's representatives were barred from the premises and blocked from accessing the company's accounts. DBT and its advisers, EY, were on-site from 12 April. On 14 April, British Steel appointed an interim Chief Executive Officer and Chief Commercial Officer. By 22 April, the company announced it had secured the ongoing operation of both blast furnaces and that it would withdraw the redundancy consultation (paragraphs 2.9 to 2.10).

<sup>2</sup> An Accounting Officer assessment (AO assessment) is a critical part of HM Treasury's controls and processes set out in HM Treasury, *Managing public money*, June 2025. This includes allowing Accounting Officers to seek a 'ministerial direction' to proceed when proposals do not meet one or more of the four public spending standards – regularity, propriety, value for money and feasibility. For example, this may occur when there is not time to undertake analysis to inform a full assessment.

<sup>3</sup> Clause 1 of the Act defines 'steel undertaking' as an undertaking in England that manufactures steel.

**11 Since the intervention on 12 April 2025, DBT has primarily focused on implementing the Act, ensuring the safe operation of the two blast furnaces and addressing health and safety concerns.** Between 12 April 2025 and 31 January 2026, 17 instructions have been issued under the Act. DBT has established an on-site team and governance structure, and its advisers are also regularly on-site. DBT's advisers report on key areas including health and safety, the workforce, stocks of raw materials, production, and cash-flow forecasts. On 25 April 2025 there was one day's worth of iron ore pellets remaining until minimum levels were reached. Since then, stocks of raw materials on site have stabilised. Progress has been made recruiting new staff, including to critical roles. Significant health and safety challenges remain, and production levels have been behind target almost every week since 12 April 2025, partly due to old infrastructure and a lack of investment in maintenance, resulting in unplanned outages. DBT told us it is working with its advisers to avoid spending on projects that are not required for any long-term transformation of the company (paragraphs 3.2 to 3.4 and 3.9 to 3.13, and Figures 8 to 11).

#### Costs, risks and implications

**12 By 31 January 2026, DBT had spent £377 million, and costs are expected to exceed £642 million by June 2026.** From 12 April 2025 to 31 January 2026, DBT provided £359 million of funding to British Steel. This has been spent by British Steel to fund operating activities (paying for raw materials, payroll costs and other operating costs such as energy), plus £1 million of investment. DBT also spent £15 million on advisers.<sup>4</sup> The full cost of the intervention is not yet known, but funding from DBT is expected to reach £615 million by June 2026 (£642 million including adviser costs at current spending rates). The intervention will create contingent liabilities which will be reported in DBT's 2025-26 accounts.<sup>5</sup> DBT has not yet quantified the benefits of the intervention but considers that the intervention prevented the disorderly shutdown of two blast furnaces. In January 2025, a joint unit working across DBT and the Ministry of Housing, Communities and Local Government estimated that closure of British Steel could cost the local economy up to £802 million in lost economic output over five years, and up to 10,000 jobs lost from British Steel and its supply chain (paragraphs 3.12 to 3.16 and 4.3, and Figure 12).

<sup>4</sup> Spending on EY does not include spending after 9 January 2026.

<sup>5</sup> HM Treasury defines a contingent liability as a commitment to use public funds if future, uncertain, events occur.

**13 DBT has no specific budget or limit for the cash that can be provided to British Steel and will have to make savings elsewhere to fund the intervention.** DBT has no repayment schedule in place, and it is not apparent that British Steel will be able to repay the funding. The loan is classified as a debt to the Crown under the Steel Industry (Special Measures) Act 2025. If spending continues at current rates, it could exceed £1.5 billion in 2028 depending on policy choices that may be taken in the future. This is before any potential transformation of British Steel, compensation to Jingye, or exit costs. There was no budget set at the June 2025 Spending Review for the intervention, and HM Treasury (HMT) approves each transfer to British Steel on a case-by-case basis. DBT was not allocated funding for the intervention and will have to make efficiencies elsewhere to fund part of the intervention from its existing budgets, which will likely reduce the amount available for other steel companies, and for growth-driving initiatives under its Industrial and Trade strategies. In September 2024, the government announced a commitment of up to £2.5 billion to support the steel industry through measures such as improving the business environment, reducing energy bills, and using more green UK-made steel for infrastructure projects. This is in addition to the £500 million committed to Tata Steel's transition to electric arc furnace production at Port Talbot (paragraphs 3.12 to 3.18 and 4.4, and Figure 13).

#### Implementation

**14 DBT coordinates its work on British Steel and the sector more broadly through a newly created Steel Programme (the Programme).** The Programme has defined its vision as “A secure future for the UK steel industry that drives growth, supports the Industrial Strategy and protects the UK’s national and economic security”. DBT set up the Programme quickly. The Programme covers site management; steel transactions (the future of British Steel); and steel policy (the future of the steel industry). Four governance groups oversee the Programme, which is led by DBT’s Chief Strategic Business Adviser. It does not have a business case or medium-term budget, but has a dedicated project management office, a risk register (with five top risks reported to internal committees, of which two were rated ‘high’ as at November 2025), and terms of reference for governance groups. Between May 2025 and January 2026, the core steel team brought in additional resource of approximately 32 full-time equivalent staff to work on the Programme, many of whom have been brought in from elsewhere in DBT or other parts of government. DBT has protected most of the Programme from headcount and cost reductions until 2026-27. DBT is also working with other parts of government, such as HMT and UK Government Investments, to manage the intervention (paragraphs 3.2 to 3.8, and Figures 8 to 10).

**15 Between 12 April 2025 and 31 January 2026, DBT spent £15 million on advisers to help it implement the intervention, some 4% of the £377 million spent on the intervention so far.** By 31 January 2026, DBT had spent £13 million on EY and some £1.5 million on legal advice.<sup>6</sup> EY were awarded two contracts from an existing framework for procuring restructuring and insolvency services. In this intervention, EY is providing advice and support to DBT and British Steel management but is not taking management decisions. EY helps British Steel prepare its cashflow forecast and presents it to DBT. DBT's finance team uses EY's work when checking that British Steel has spent taxpayer cash appropriately. DBT has also paid for technical consultancy (£0.4 million); and a cyber security review of British Steel (£0.1 million). The five contracts with advisers were awarded without competition.<sup>7</sup> There is no performance measurement framework in place in two contracts, however DBT told us its contract managers set targets and outcomes and have regular review points (paragraphs 3.19 to 3.22 and Figure 13).

#### Future considerations

**16 DBT is considering options to support the future of British Steel, including a commercial partnership and replacing the blast furnaces with electric arc furnaces.** During the Bill debate on 12 April 2025, the then Secretary of State for Business and Trade suggested a transfer of ownership may be a likely option, but confirmed the aspiration was for a co-investment agreement with a private sector partner. DBT told us it has been in contact with the owner, with a view to finding a way through that meets the government's aims of preserving steelmaking in Scunthorpe and enabling future discussions about investment. Longer-term, a transition plan for converting from blast to electric arc furnaces, and a wider transformation plan (a new business model) may to be required to support the future viability of the business (paragraphs 4.2 to 4.8).

<sup>6</sup> Spending on EY does not include spending after 9 January 2026.

<sup>7</sup> DBT considers that the contracts were awarded in accordance with procurement rules, for example it used frameworks that allowed for direct awards, and the other contracts were below relevant thresholds.

**17 Alongside managing the intervention in British Steel, DBT continues to deal with sector-wide challenges for steel and plans to publish a strategy which will outline measures to support the sector and attract future investment.**

In February 2025, DBT launched a consultation to inform its steel strategy. It has been working to define its objectives for the steel sector, and these are expected to underpin the forthcoming steel strategy. In August 2025, Speciality Steel UK, at the time part of Liberty Steel, and one of the UK's largest steelworks, was issued a winding-up order by the High Court. The Official Receiver was appointed as liquidator. Industry stakeholders we spoke to note the main concerns of the steel sector are high energy prices and uncertainty over trade restrictions. Publication of the steel strategy is currently expected in early 2026 but has been delayed several times. The strategy is expected to set out a range of policies to create a more supportive business environment, including boosting demand, addressing trading uncertainty, reducing electricity prices, and supporting decarbonisation (paragraphs 1.5, 3.8 and 4.9 to 4.13).

### **Concluding remarks**

**18** DBT moved quickly to prevent the disorderly closure of blast furnaces which it considered was imminent, and to avoid potential job losses and the likely economic shock if primary steelmaking had stopped in Scunthorpe. DBT's engagement with the sector meant that it had an understanding of the likely impact, both locally and on key supply chains. The government has spent £377 million on its intervention so far, with no clear end date. The intervention has not stabilised the company's finances, and costs will continue to increase until the intervention has ended. Using emergency measures to intervene comes with risks and DBT intervened without a clear exit strategy. A year on, DBT is considering options for the longer-term future of British Steel. It recognises that transition or transformation of British Steel will come at a cost, and decisions need to be made quickly to prevent further costs. DBT needs to ensure the approach is aligned with its forthcoming steel strategy and ministerial objectives for the sector as a whole.

**19** DBT should use the learning from this intervention to help it be prepared for future economic shocks (both in steel and other sectors), such as taking a strategic approach when it needs to respond quickly, supporting the resilience of supply chains, and balancing the risks and cost pressures on other government objectives. The government should ensure that its new steel strategy minimises the need for further emergency interventions by addressing the risks to a viable domestic supply of steel that meets the UK's strategic requirements.

# Part One

## The UK steel industry

**1.1** This part sets out the context of the UK steel industry, recent history of British Steel, and the government's support for the sector.

### **The context of the UK steel industry**

**1.2** Steel products are used in industries such as construction, defence, manufacturing, and transportation. The government's Industrial Strategy describes it as a foundational industry, recognising it is a critical input for its eight priority sectors which are important for driving economic growth.<sup>8</sup> The government has long monitored challenges in the sector and taken steps to support the industry, for example with initiatives to reduce the electricity costs for steel firms. It has issued procurement guidance for the public sector to buy UK steel where possible and continues to monitor the planned and actual use of steel in public sector contracts. The government has also recently provided grant funding for decarbonisation initiatives. However, the steel industry has continued to face challenges, particularly in recent years from high energy costs, excess supply in the global market, and the need to decarbonise steel production. The impact of planned European Union (EU) and US tariffs have placed further pressure on UK steelmakers.<sup>9</sup>

<sup>8</sup> Department for Business and Trade, *The UK's Modern Industrial Strategy*, CP 1451, November 2025.

<sup>9</sup> The European Commission plans to halve the volume of steel that can be imported, thereafter, a new 50% tariff will apply.

**1.3** In 2025, the steel industry contributed £1.99 billion to the UK economy (0.08%) in terms of GVA (gross value added; a measure of economic output). In 2024, the industry employed 35,400 people (0.1% of all those in employment) and was reported to support a further 46,000 jobs in the wider UK steel supply chain. Compared to manufacturing and the economy as a whole, the steel sector's economic output has declined over the past 35 years (**Figure 2** overleaf). The UK is the world's 42nd largest producer of steel (**Figure 3** on page 17). In 2025, it produced 2.5 million tonnes of crude steel – 0.14% of the world's total. In comparison, China produced 961 million tonnes (52% of global production) and the EU produced 126 million tonnes (6.8%). Government procurement pipeline data estimates that the UK public sector requirement for steel in the coming years will be 7.7 million tonnes for maintaining and upgrading roads, maintaining railways, and constructing schools.<sup>10</sup> UK Steel's sector data shows that in 2024, less than 30% of the UK's demand for steel mill products was met by domestic production.<sup>11</sup>

**1.4** Our 2023 lessons learned report *Monitoring and responding to companies in distress* set out why the government may choose to intervene in some sectors and companies.<sup>12</sup> These circumstances include where the company provides essential goods or services, or is crucial to national security or the country's self-sufficiency in certain goods. The report noted that steel companies may be strategically important for achieving the government's policy objectives, or part of a critical supply chain, and departments are responsible for managing these relationships. The Department for Business and Trade (DBT) leads the government's relationship with industry, working closely with other departments. It has sector teams which engage with businesses, monitor the performance of sectors including steel, and develop support for sectors. DBT's steel team is the largest in its Business Group, which leads on DBT's overall business engagement and response to economic shocks.

<sup>10</sup> Department for Business and Trade, *Steel public procurement 2026*, January 2026.

<sup>11</sup> UK Steel, *Key statistics guide 2025*, 11 June 2025.

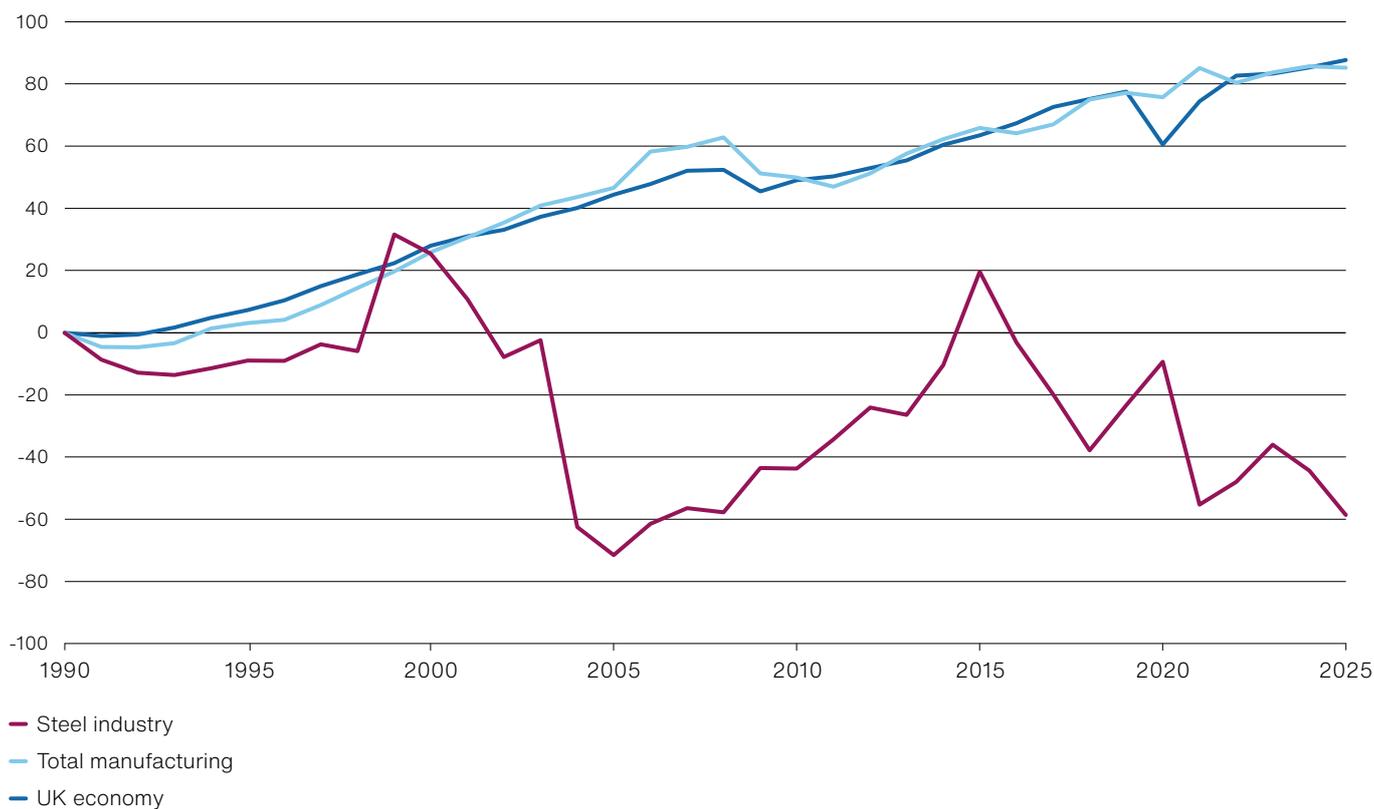
<sup>12</sup> Comptroller and Auditor General, *Lessons learned: Monitoring and responding to companies in distress*, Session 2022-23, HC 1866, National Audit Office, October 2023.

**Figure 2**

Economic output of the UK steel industry since 1990 compared with total manufacturing and the UK economy as a whole

Compared with manufacturing and the UK economy as a whole, the steel industry’s economic output has declined over the past 35 years

Percentage change on 1990



**Note**

1 Percentage change in GVA (gross value added; a measure of economic output) relative to 1990 levels. Data presented in real terms i.e. adjusted for inflation.

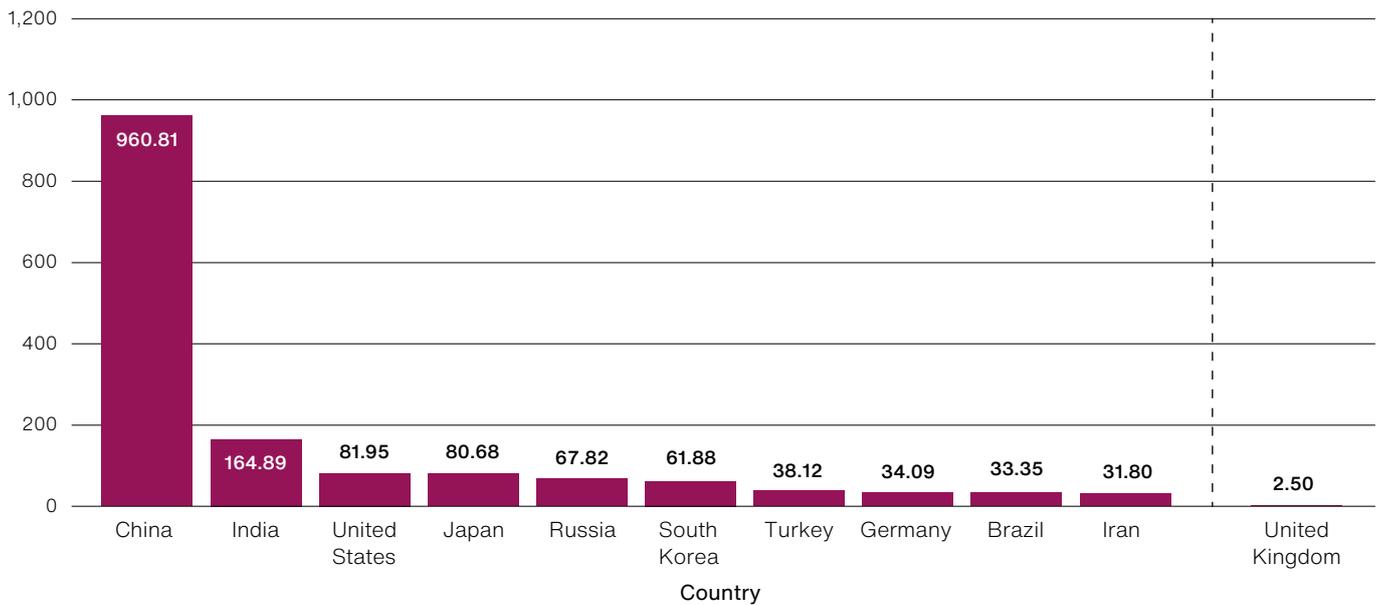
Source: National Audit Office analysis of Office for National Statistics dataset *GDP output approach – low-level aggregates* (released 12 February 2026). Dataset identifiers used: UK economy – KLA8, Total manufacturing – KL8V, Steel industry – KL65

**Figure 3**

## Crude steel production: top 10 countries and the UK, 2025

In 2025, the UK ranked 42<sup>nd</sup> in global crude steel production, producing 2.5 million tonnes of crude steel, 0.14% of the world's total

Crude steel production (million tonnes)

**Note**

1 Crude steel is steel in its first solid (or usable) form. This includes ingots, semi-finished products (billets, blooms and slabs) and liquid steel used for casting.

Source: National Audit Office analysis of World Steel Association dataset *Total production of crude steel, World total 2025* (23 January 2026 release)

**1.5** Despite long-term declines in output and employment in the steel sector, the UK has an active industry, with producers operating various types of steelworks in sites across the UK. Four of the top six steelmakers in the UK are currently receiving direct financial support from the government (**Figure 4** on pages 18 and 19):

- British Steel has been receiving support since April 2025;
- Speciality Steel UK, at the time part of Liberty Steel, was issued a winding-up order by the High Court in August 2025. The Official Receiver was appointed as liquidator;
- Sheffield Forgemasters was nationalised in August 2021 and is wholly owned by the Ministry of Defence; and
- Transition from blast furnaces to an electric arc furnace is underway at Tata Steel's Port Talbot site in South Wales, which the government is providing £500 million of grant funding towards. Tata Steel closed its blast furnaces to begin the transition process in 2024, which it expects to complete in 2027.

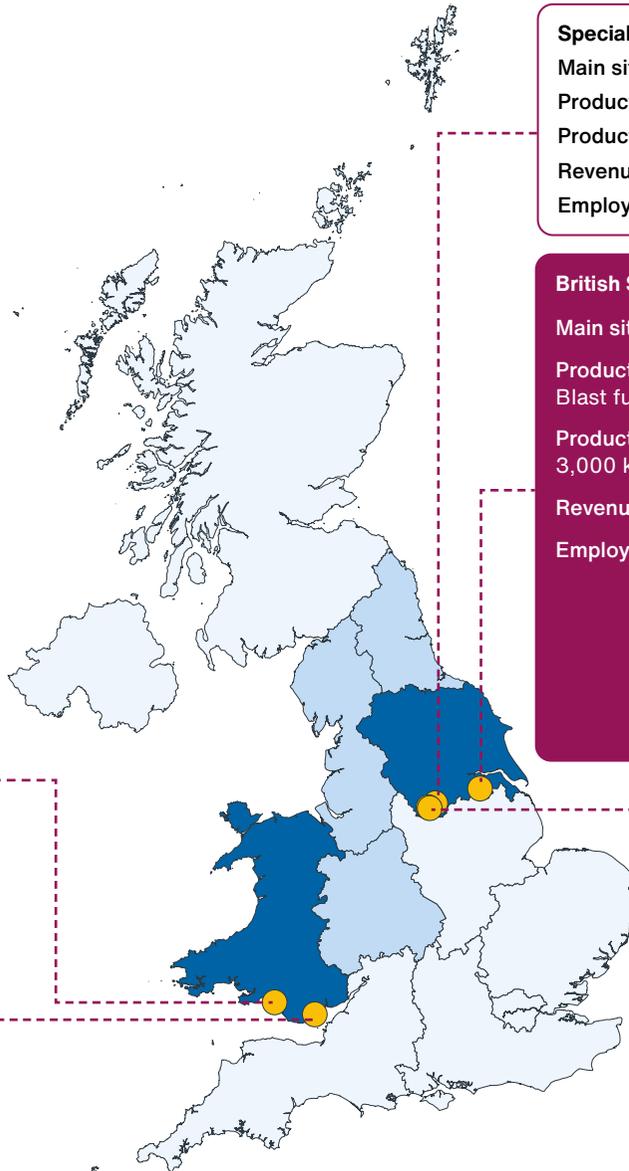
**Figure 4**

Largest UK steel producers and regional employment in the steel sector

Steel production and employment is largely concentrated in the North East of England and South Wales, with lower levels of employment elsewhere

Steel sector employment

- 395 – 2,196
- 2,197 – 3,997
- 3,998 – 5,798
- 5,799 – 7,599
- 7,600 – 9,400
- Steel company (main site)



**Speciality Steel UK** (previously part of Liberty Steel)  
**Main site:** Rotherham  
**Production method:** Electric arc furnace  
**Production capacity:** 1,200 kT per year  
**Revenue:** £373 million  
**Employees:** 1,928

**British Steel**  
**Main site:** Scunthorpe  
**Production method:** Blast furnace  
**Production capacity:** 3,000 kT per year  
**Revenue:** £1,260 million  
**Employees:** 4,271

Aerial photograph of British Steel's Scunthorpe steelworks (right) and the town of Scunthorpe (left). Blast furnaces marked with purple circle



Scunthorpe

**Tata Steel UK**  
**Main site:** Port Talbot  
**Production method:** Currently re-rolling steel produced elsewhere while transitioning to electric arc furnace production  
**Production capacity:** 3,200 kT per year  
**Revenue:** £2,246 million  
**Employees:** 7,130

**7 Steel UK** (previously Celsa Steel UK)  
**Main site:** Cardiff  
**Production method:** Electric arc furnace  
**Production capacity:** 1,200 kT per year  
**Revenue:** £471 million  
**Employees:** 837

**Sheffield Forgemasters**  
**Main site:** Sheffield  
**Production method:** Electric arc furnace  
**Production capacity:** 40 kT per year  
**Revenue:** £114 million  
**Employees:** 698

**Marcegaglia Stainless Sheffield**  
**Main site:** Sheffield  
**Production method:** Electric arc furnace  
**Production capacity:** 450 kT per year  
**Revenue:** £664 million  
**Employees:** 431

**Figure 4** *continued*

## Largest UK steel producers and regional employment in the steel sector

**Notes**

- 1 Figure shows details of the six largest UK steel producers by capacity. Capacity is the estimated amount of steel that can potentially be produced in a year, in kilotonnes (kT), as reported in UK Steel's Member Directory 2025. In October 2024, Tata Steel paused steelmaking at its Port Talbot site pending the construction of an electric arc furnace. The furnace is expected to have a capacity of 3,200 kT per year and is due to be commissioned in 2027.
- 2 Revenue and employee data are taken from the latest published accounts of each company. Data are illustrative of size and not directly comparable as companies have different financial years. The data shown relate to the following: Speciality Steel UK, year-ending 31 March 2019; British Steel, 31 December 2023; Tata Steel, 31 March 2025; Sheffield Forgemasters, 31 March 2025; 7 Steel, 31 December 2024; and Marcegaglia Stainless Sheffield, 31 December 2024. Employee numbers are an average number of people employed and include administration as well as engineering roles for some companies.
- 3 Steel company markers are accurate to city or town level. Markers for Marcegaglia Stainless Sheffield and Sheffield Forgemasters overlap as both companies have sites in Sheffield. Scunthorpe steelworks boundary line (dashed purple line in aerial image) was manually drawn and should be considered illustrative rather than definitive.
- 4 Employment data shows the number of people employed in all companies with Standard Industry Classification (SIC 2007) codes 241, 242 and 243. Employment data for England, Scotland and Wales from 2024; employment data for Northern Ireland from 2022.

Source: National Audit Office analysis of UK Steel's Member Directory 2025, company annual report and accounts, and Office for National Statistics and Northern Ireland Statistics and Research Agency employment data (*Business Register and Employment Survey 2024* and *Business Register and Employment Survey 2022* respectively). UK boundary file from the Office for National Statistics licensed under the Open Government Licence v.3.0. Contains OS data © Crown copyright and database right 2025

**British Steel**

**1.6** British Steel has a production capacity of three million tonnes per year. The company operates across multiple sites in the UK and makes a range of products including construction steel, rail, special profiles, wire rod and semi-finished products. British Steel had 4,052 permanent employees as at 31 January 2026. Staff we spoke to during our site visit in November 2025 noted that it was common for generations of family members to have worked at the Scunthorpe plant in Lincolnshire.

**1.7** The ownership of British Steel has changed several times. It was formed as a nationalised company in 1967 and originally employed 250,000 people. It made losses in the 10 years to 1985-86 but, after a return to profitability, was privatised in 1988.<sup>13</sup> In recent years, British Steel was owned by steelmakers (Tata Steel, 2007-2016) and a private equity firm (Greybull Capital, 2016-2019).<sup>14</sup> In 2019 it was briefly placed into insolvency after Greybull Capital failed to secure further government funding (£30 million) to cover the company's cash shortfall. The total amount paid to the Official Receiver in relation to the insolvency of British Steel was £604 million (2019-20: £588 million, 2020-21: £16 million) and a further £12 million of fees to cover the company's EU emissions trading scheme obligations were also written off in 2019-20.

<sup>13</sup> British Steel Corporation was formed as a nationalised company in 1967, bringing together some 14 major steel producing companies. The company was privatised in 1988 to become British Steel plc.

<sup>14</sup> In 1999, Corus was formed through the merger of British Steel plc and Koninklijke Hoogovens. Corus was acquired by Tata Steel in 2007. The company currently known as 'British Steel Ltd' was incorporated in 2019.

**1.8** Jingye Group (Jingye), a Chinese industrial conglomerate, purchased the company from the Official Receiver in 2020.<sup>15</sup> At the time of the purchase, Jingye said it would invest £1.2 billion in the business to place it on a more competitive and sustainable footing. It subsequently invested in the construction of a new billet caster, a manufacturing centre in Skinningrove to supply the forklift truck industry, and a £10 million rail storage facility. In late-2023, it announced a £1.25 billion plan to install two electric arc furnaces in Scunthorpe and Teesside, which it said was subject to appropriate support from the UK government. British Steel has made losses since 2021.<sup>16</sup>

**1.9** British Steel is a long-term supplier to Network Rail (**Figure 5**). Both Network Rail and British Steel management we spoke to described the relationship as valuable. British Steel has a welding facility on site to support its customers to improve the longevity of rail steel, which Network Rail told us it relies on for welding. Procuring rail steel within the UK is logistically easier than importing from overseas, and has lower associated transportation costs.

**1.10** British Steel's Scunthorpe site is approximately 2,000 acres in size. The site contains an integrated steelworks operation, including the UK's last two operating blast furnaces, and several rolling mills. It is the only UK producer of primary steel (also known as 'virgin' steel, **Figure 6** on pages 22 and 23). Electric arc furnaces typically have a lower carbon footprint than blast furnaces and are less labour intensive. DBT commissioned a review of UK primary steelmaking from the Materials Processing Institute in 2025. The review found that while technically all grades of steel can be produced using electric arc furnaces, some may be more challenging to produce economically.

<sup>15</sup> There is no definitive published value on the amount Jingye purchased British Steel for in 2020, but public reports at the time ranged from £50 million to £70 million. Jingye Steel (UK) Holding Ltd's accounts for 6 November 2019 to 31 December 2020 state that it paid £30 million cash to acquire the assets of British Steel Ltd, and related companies, on 9 March 2020.

<sup>16</sup> British Steel's latest published accounts cover the period 1 January to 31 December 2023, and were published on 28 March 2025.

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**Figure 5**

## British Steel's contract with Network Rail

**British Steel is a long-term supplier to Network Rail**

British Steel produces a range of products including sections (structural shapes such as beams and columns used in construction), wire rod and rail track. The company is the UK's sole manufacturer of rail track. Around the time of British Steel's 2019 insolvency, Network Rail (a non-departmental public body of the Department for Transport) met 95% of its needs from the Scunthorpe plant. In 2024, British Steel opened a £10 million rail stocking facility in Scunthorpe. Network Rail told us it also relies on a welding facility at Scunthorpe.

In the lead up to the government's 2025 intervention, the Department for Business and Trade (DBT) concluded that mothballing the Scunthorpe site would result in Network Rail facing £300 million in costs over two years.

Network Rail was aware of long-standing challenges within British Steel. It bid to purchase part of British Steel in 2019, and before the intervention it built up a stockpile of rail to last approximately one year.

Since the intervention, Network Rail has sought to diversify its supply chain by reducing its dependency on British Steel. In June 2025, Network Rail and British Steel agreed a £500 million supply contract. The contract will run for five years with an optional three-year extension. Under the contract, British Steel will supply over 337,000 tonnes of rail, 80% of Network Rail's needs. A further 80,000 to 90,000 tonnes will be provided by other European manufacturers. Prior to signing the contract, British Steel wrote to DBT requesting the contract cover 100% of Network Rail's needs, but it was unsuccessful.



Source: National Audit Office analysis of Department for Business and Trade's documentation

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**Figure 6**  
Steelmaking and British Steel's integrated steelworks

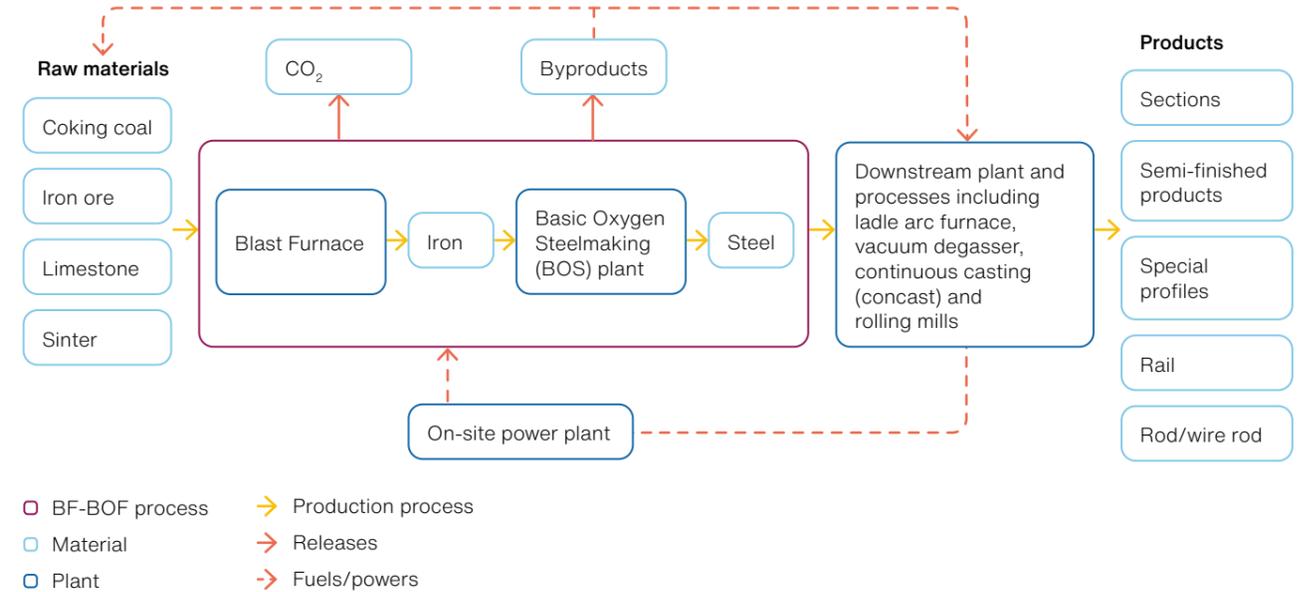
British Steel's Scunthorpe steelworks is an integrated site which produces steel via two blast furnaces

Steel is mainly produced via two routes: the **Blast Furnace-Basic Oxygen Furnace (BF-BOF)** or simply 'blast furnace' route and the **Electric Arc Furnace (EAF)** route.

Blast furnaces produce steel using raw materials including iron ore, coking coal and limestone. The process is highly energy intensive and releases large amounts of CO<sub>2</sub>. Steel produced via this route is known as **primary steelmaking**; its output is known as **primary** or '**virgin**' steel. Primary steel is high-quality, strong, and often used in heavy structural applications. Globally, around 75% of steel is produced via blast furnaces. Blast furnaces are designed to be in continuous use at high temperatures. Once a blast furnace has been turned off, it is costly and complicated to restart production.

Steel made via electric arc furnaces uses electricity to melt scrap metal. Depending on the plant configuration and availability of scrap, other sources of iron such as **direct-reduced iron (DRI)** can be used as input. Steel made via the EAF route is known as **secondary steel**. Many countries, including the UK, are moving to electric arc production due to their lower carbon emissions and use of recycled scrap material. While technical advances have been made with EAFs, some grades of steel are more challenging to produce via the route and require the addition of blast furnace produced iron. Converting blast furnaces to electric arc furnaces is a long and costly process.

British Steel's Scunthorpe steelworks operates the UK's last operational blast furnaces. The site is an **integrated plant** (simplified process map on page opposite), capable of producing finished steel products such as sections, rail, and wire rod from raw materials. The blast furnaces are central to the site, with byproducts used to fuel upstream and downstream processes.



**Notes**

- 1 Simplified process map outlines how steel is made at British Steel's Scunthorpe integrated steelworks site. Some materials, products, and processes have been omitted for brevity.
- 2 Raw materials are processed at Scunthorpe's sinter plant (not shown). The materials are fed into the site's blast furnaces which create molten iron and slag (used in cement and roads). The site's BOS plant takes scrap and liquid iron. High purity oxygen is blown over the surface of the liquid metal at high pressure and lime is added, removing unwanted elements. The resulting steel is poured – or tapped – into ladles for further downstream processes.

- 3 Sections are standardised structural shapes, such as beams and columns, used heavily in the construction industry. Semi-finished products are intermediate products ready for further processing. These include slabs, billets and blooms. Special profiles are custom, non-standard shapes (for example, earthmover tracks) used in a variety of industries. Rail is railway track of various sizes used in both passenger and freight networks. Rod or wire rod is long, round steel products often supplied in coils. This product can be found in various sectors as well as in consumer goods.
- 4 The BF-BOF process release substantial amounts of CO<sub>2</sub> and other byproducts which are used to fuel upstream and downstream processes.

## Part Two

### Events leading up to the 2025 intervention

**2.1** This part sets out the events in the years and weeks before the 2025 government intervention in British Steel (**Figure 7**). It sets out the facts about why the intervention happened.

#### **Engagement with Jingye**

Engagement with Jingye (December 2022 to October 2023)

**2.2** Jingye wrote to the Department for Business and Trade in December 2022, starting talks between the company and the government in January 2023 over transitioning from blast furnaces to electric arc furnaces (EAFs) in Scunthorpe. DBT and HM Treasury officials, who were being supported by advice from Ernst & Young (EY), were part of these discussions. Jingye and DBT discussed various proposals including plans for converting both Teesside and Scunthorpe sites, with and without blast furnaces operating during the transition.

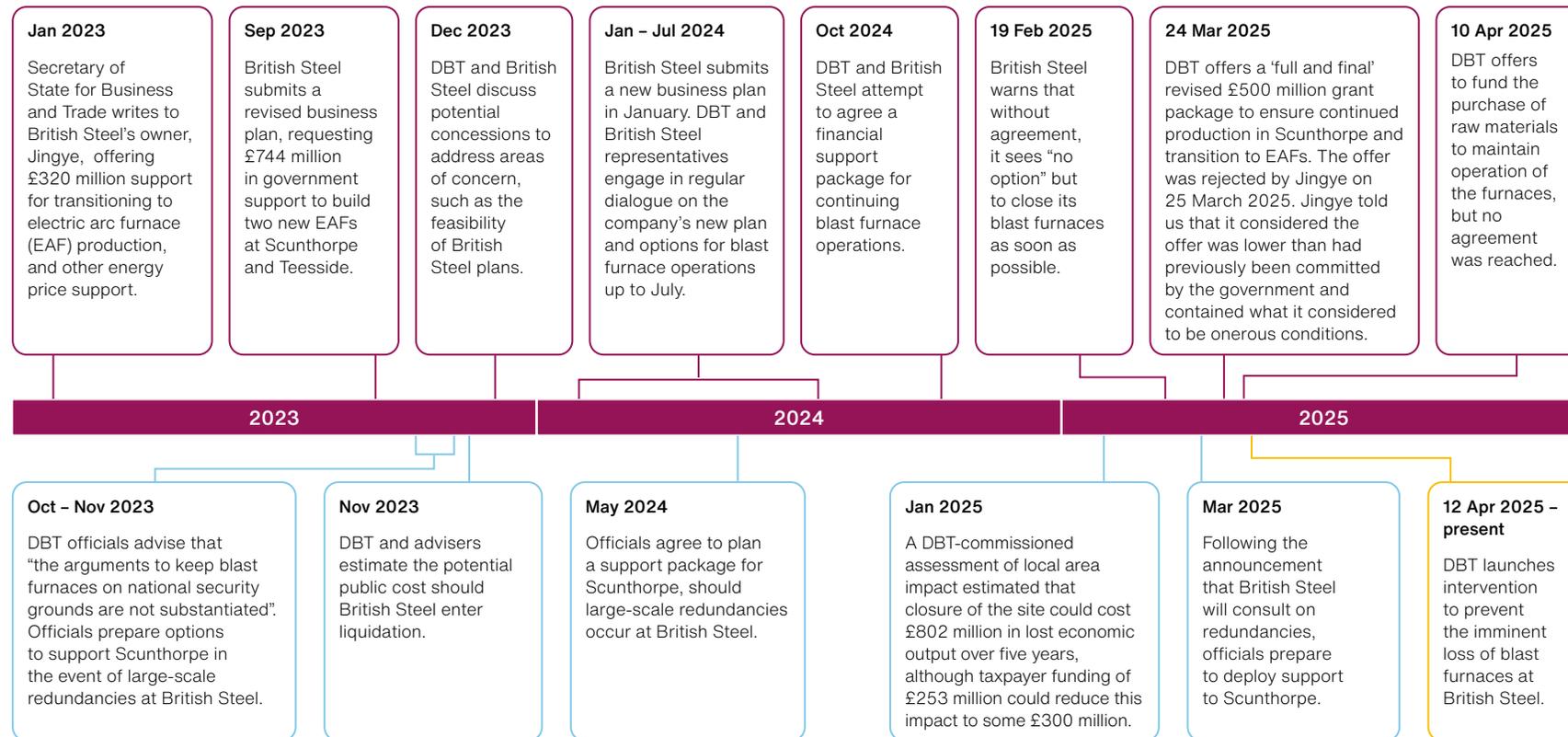
**2.3** EAFs are less labour intensive than blast furnaces. Jingye's plans for converting British Steel to EAF indicated that around 1,700 workers (about 40% of the number of people British Steel employed at that time) would be made redundant. DBT told us it was concerned about the robustness of Jingye's estimated time and cost of the plan, and an agreement was not reached on plans to mitigate the local impact of redundancies.

**2.4** In October 2023, DBT officials advised ministers to continue working with Jingye on plans to maintain current operations while transitioning to EAFs, noting "the arguments to keep blast furnaces on national security grounds are not substantiated" and should EAF transformation go ahead that "the supply of domestically produced steel to critical national infrastructure projects, as well as wider industry, would not face shortages."

**Figure 7**

Discussions between the Department for Business and Trade (DBT) and British Steel's owner, Jingye, 2023 to 2025

DBT and Jingye discussed the future of British Steel, but did not reach an agreement



- Negotiations workstream
- Contingency workstream
- Intervention

**Notes**

- 1 Jingye Group Co Ltd, a company incorporated in China, remains the owner of 100% of British Steel Ltd's shares. Ownership is through the following holding companies: Jingye Steel (UK) Holding Ltd, a UK company; and Jingye International (HK) Holdings Company Ltd, a company incorporated in Hong Kong.
- 2 DBT was leading the discussions on behalf of the government, working with advisers and other government departments as necessary.
- 3 DBT divided relevant activities into several workstreams during this period. We have summarised this as 'negotiations workstream', the work to support a successful negotiated outcome; and 'contingency workstream', the preparations to provide support to Scunthorpe and other affected areas from economic damage arising from developments at British Steel.

Source: National Audit Office analysis of the Department for Business and Trade's records of the discussions

### Evolution of discussions (July 2024 to February 2025)

**2.5** During talks in July 2024, Jingye told DBT its financial position was “unsustainable” and that it would have to close the blast furnaces. On 30 September 2024, DBT offered a “repayable liquidity loan” to partially cover losses up to September 2025 after which it was expected that British Steel would move “seamlessly” to a re-rolling model. Jingye did not accept the loan offer. Further discussions between DBT and Jingye on a revised restructuring plan and funding terms continued until February 2025, when Jingye wrote to DBT saying it would progress plans to close blast furnaces and the rod mill at Scunthorpe unless an agreement was reached.

### Final offer prior to intervention (March 2025)

**2.6** On 24 March 2025, DBT wrote to Jingye with an offer of £500 million, which it said recognised the challenging financial and operational context British Steel was working in. Jingye wrote back to DBT the next day, rejecting the offer. Jingye told us that it considered the offer was lower than it had expected the government to commit, and contained what it considered to be onerous conditions. Jingye cited ongoing daily losses of £700,000 due to challenging market conditions, tariffs, and high environmental costs, and stated its preference to close blast furnaces as early as June 2025. On 27 March, British Steel publicly announced it was starting a formal consultation with its workforce and unions on options to close the blast furnaces.<sup>17</sup> Advice provided by DBT officials to ministers on 28 March noted that there was “no affordable solution to maintain steel-making at Scunthorpe”, reflecting substantial delivery and value for money risks, and the need for a realistic restructuring plan to restore the company to viability. Based on the information available on 28 March, the advice recommended that the government “not intervene to stop the company from making commercial decisions to close”. DBT told us that it had no budget or legal power to intervene at that time, and that there was no strong value for money case to do so, advising instead to focus on the impact on the local area and to support steelmaking elsewhere.

<sup>17</sup> British Steel, *British Steel to consult on proposed closure of Scunthorpe blast furnaces, rod mill and steelmaking operation*, 27 March 2025.

## Government intervention in British Steel

### Ministerial direction (April 2025)

**2.7** To support ongoing discussions, DBT requested that British Steel management provide regular updates on the status of its raw materials. DBT told us it learned of rapidly deteriorating levels on 31 March 2025, due to orders being cancelled, and cargo being diverted away and not being paid for, leaving only days' worth of stock remaining until minimum levels were reached. This would have affected key customers, with cost and timing implications for other companies in the supply chain. DBT considered that timescales were critical and that the risk of disorderly blast furnace closure was imminent. The government had considered potential contingency options to intervene in the company during its discussions, including emergency intervention.<sup>18</sup> This would require a ministerial direction and approval from the Chancellor.

**2.8** In early April 2025, DBT began preparations for purchasing raw materials to keep the blast furnaces operating in Scunthorpe. Officials noted this would have to happen within the week, given stock levels were critically low. On 2 April 2025, the Secretary of State wrote to the Chancellor requesting budget for the emergency purchase of raw materials to support continued operations at Scunthorpe. On 7 April 2025, the Secretary of State wrote again to the Chancellor observing that Jingye was accelerating the closure of the blast furnaces. DBT met with Jingye on 9 and 10 April. By 10 April 2025, DBT said it was clear that Jingye was prepared to close the blast furnaces imminently, as no agreement was reached on the proposals to purchase raw materials necessary to maintain operation of the furnaces. On 12 April, DBT's Accounting Officer undertook an assessment of the proposal to intervene in the Scunthorpe site, which noted there was no time for an assessment of two of the four tests of managing public money – on value for money and feasibility.<sup>19</sup> The ministerial direction was issued due to the need to act urgently and a lack of information for DBT's Accounting Officer to be satisfied that the Accounting Officer standards were met.

<sup>18</sup> This included a government options assessment in October 2024 which considered options to intervene, including via primary legislation, and further costing of options in March 2025.

<sup>19</sup> An Accounting Officer assessment (AO assessment) is a critical part of HM Treasury's controls and processes set out in HM Treasury, *Managing public money*, June 2025. This includes allowing Accounting Officers to seek a 'ministerial direction' to proceed when proposals do not meet one or more of the four public spending standards – regularity, propriety, value for money and feasibility. For example, this may occur when there is not time to undertake analysis to inform a full assessment. DBT considered that on this occasion, the other tests of regularity and propriety were met. The published ministerial direction and AO assessment for British Steel is available online at: Department for Business and Trade, *British Steel: ministerial direction*, 29 April 2025.

## The Steel Industry (Special Measures) Act 2025

**2.9** On Saturday 12 April 2025, the Secretary of State for Business and Trade issued a ministerial direction in support of government intervention to maintain operation of British Steel's blast furnaces, noting that this would be in the public interest. This ensured the site could continue running and would allow DBT time to undertake a full national security and economic assessment of steelmaking in the UK. Parliament was recalled from Easter recess and passed emergency legislation, the Steel Industry (Special Measures) Act 2025 (the Act), the same day. The Act authorises the Secretary of State to issue instructions to steel undertakings, where required, to prevent them from ceasing operations.<sup>20</sup> The Minister for Industry said the government would repeal the legislation as quickly as possible, and committed to update Parliament every four working weeks.

### Initial instructions to the company

**2.10** On 12 April 2025, the Secretary of State wrote to British Steel citing the Act, and gave instructions to the company to maintain the blast furnaces, provide daily reports on the site, and grant access to officials. To ensure unhindered access and the safe and continued operation of the blast furnaces, Jingye's representatives were barred from the premises and blocked from accessing the company's accounts. DBT and its advisers, EY, were on-site in Scunthorpe that evening. On 14 April, British Steel announced the appointment of an interim Chief Executive Officer and Chief Commercial Officer. On 15 April, raw materials – essential for the site's continued operation – arrived at the port facility in Immingham Dock. On 22 April, British Steel announced it had secured the ongoing operation of both blast furnaces and that it would withdraw the redundancy consultation.<sup>21</sup>

<sup>20</sup> Clause 1 of the Act defines 'steel undertaking' as an undertaking in England that manufactures steel.

<sup>21</sup> British Steel, *British Steel to keep 2 blast furnaces running and ends redundancy consultation*, 22 April 2025.

## Part Three

### The current status of the intervention

**3.1** This Part sets out the governance arrangements for the Department for Business and Trade (DBT's) wider Steel Programme (the Programme) and specifically the on-site workstream; current operational arrangements on site; details of the costs and process of payments; and DBT's use of advisers.

#### Programme governance

**3.2** DBT coordinates its work on British Steel's Scunthorpe steelworks, the company, and the steel sector more broadly through a new Steel Programme. The Programme was set up quickly, soon after the Special Measures Act took effect. It is led by DBT's Chief Strategic Business Adviser supported by a project management office.

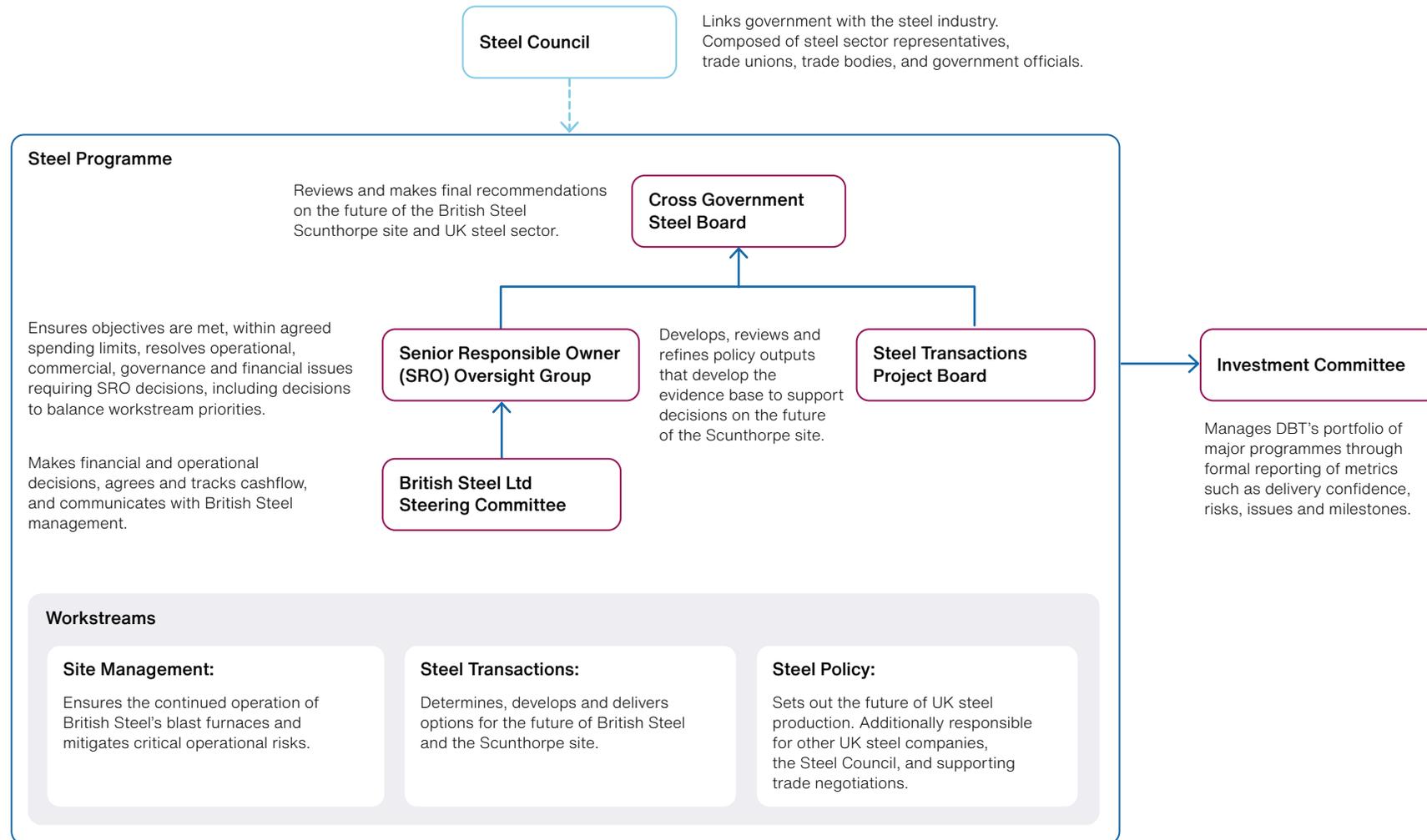
**3.3** The Programme's management documents include risk registers, organisational charts, and terms of reference for governance groups. It does not yet have an underpinning business case or medium-term budget. In October 2025, the Steel Programme was added to DBT's major programme portfolio and reports to the department's Investment Committee to ensure DBT's most strategically important projects are aligned with its strategic objectives.

**3.4** The Programme has three interrelated workstreams and is underpinned by four governance groups (**Figure 8** overleaf). DBT is also working with other government departments to manage the intervention (**Figure 9** on page 31). The cross-Whitehall governance group includes representatives from the Cabinet Office Economic Security team, Number 10, the Foreign, Commonwealth and Development Office, and HM Treasury (HMT). Many officials have been brought in to work on the Programme from UK Government Investments (UKGI) and the Office for Investment. DBT also works closely with HMT on funding (paragraph 3.17).

**Figure 8**

The Department for Business and Trade's (DBT's) Steel Programme, workstreams and governance

The Programme has three interrelated workstreams and four governance groups



- Governance group
- Steel Programme
- Programme workstream
- Advice and guidance
- External advice
- Formal reporting

Source: National Audit Office analysis of Department for Business and Trade's governance information

**Figure 9**

## Key organisations involved in the operation of British Steel's Scunthorpe steelworks

**Multiple organisations are involved in ensuring the continued operation of blast furnaces on-site**

Stakeholder	Role
Jingye Group	<ul style="list-style-type: none"> <li>Chinese steelmaking conglomerate.</li> <li>Current owner of British Steel following acquisition in March 2020.</li> <li>No longer on site following the implementation of the Steel Industry (Special Measures) Act 2025.</li> </ul>
HM Government	<ul style="list-style-type: none"> <li>Intervention led by Department for Business and Trade (DBT) with support from UK Government Investments. HM Treasury provides spending controls.</li> <li>Other government departments and bodies involved at a strategic or governance level.</li> <li>DBT formally instructs the company under the Steel Industry (Special Measures) Act 2025.</li> <li>DBT's work on the site, and steel sector more broadly, is coordinated by the department's Steel Programme.</li> <li>The Programme's Site Management workstream is responsible for the continued running of the blast furnaces and mitigating operational risks.</li> </ul>
External advisers	<ul style="list-style-type: none"> <li>Ernst &amp; Young LLP (EY) appointed by DBT to provide advice, expertise, and reporting.</li> <li>Other advisers (including Accenture and Ashurst) contracted to provide advice and expertise on legal and commercial matters.</li> </ul>
British Steel management	<ul style="list-style-type: none"> <li>Oversees the company's overall strategy, operations, workforce, and compliance.</li> <li>An interim Chief Executive Officer and a Chief Commercial Officer were appointed in the days after the intervention.</li> <li>In 2025 further appointments were made to human resources and to health and safety functions.</li> </ul>
Workforce	<ul style="list-style-type: none"> <li>Various groups including steelworkers, back-office staff, unions, and contractors.</li> <li>Responsible for the site's day-to-day operations and output.</li> <li>In May 2025, British Steel began recruitment for over 180 new employees.</li> </ul>
Advisory Committee	<ul style="list-style-type: none"> <li>External steering group established by DBT to provide support and challenge to British Steel's new senior management team.</li> <li>Composed of external individuals with experience of the steel sector and companies in distress.</li> <li>Led by the co-chair of the Steel Council, who is additionally a government industrial adviser, and formerly CEO of Liberty Speciality Steel and site director at Scunthorpe steelworks while under Tata Long Products ownership.</li> </ul>

**Note**

1 The structure and objectives of the Advisory Committee were recommended by DBT.

Source: National Audit Office analysis of documents from the Department for Business and Trade

**3.5** The team within DBT responsible for steel has grown from its pre-intervention size of 20 full-time equivalent (FTE) staff.<sup>22</sup> Between May 2025 and January 2026, the core steel team had approximately 32 FTE staff (average over nine months) at an indicative cost of £2.1 million.<sup>23</sup> The Programme is also supported by other functions, including up to 19 lawyers, 11 analysts, and 10 staff from finance.<sup>24</sup> Following the Spending Review 2025, DBT expects to make reductions to its workforce, but it has protected up to 36 roles in the Steel Programme until at least 2026-27.

### Programme risks

**3.6** The Steel Programme currently reports its five top risks to DBT's internal committees – these are all rated 'medium' or 'high' (**Figure 10**). The intervention was added to DBT's overall risk register in September 2025, noting substantial legal, financial and operational delivery challenges.<sup>25</sup>

**3.7** DBT considered a workplan to deliver the core of the Steel Programme over a three-month period to the end of July 2025 to be realistic. However, two significant milestones, the plan to publish a steel strategy and a final ministerial decision on the ownership and future of British Steel by the end of July 2025, have both been delayed. DBT told us the steel strategy has been delayed, in part, due to lack of clarity on the approach to sector issues, a change in ministers in September 2025, and the need for more robust measures on decarbonisation and trade defence.

**3.8** DBT launched a consultation on its steel strategy in February 2025. It has been working to define its objectives for the steel sector. These objectives will underpin the forthcoming steel strategy, expected to be published in early 2026. DBT's Steel Programme has defined its vision as "A secure future for the UK steel industry that drives growth, supports the Industrial Strategy and protects the UK's national and economic security". The government's Industrial Strategy aims to strengthen the resilience of foundational industries such as steel, which provide vital inputs to the UK economy and are important for local areas.<sup>26</sup>

22 The Steel, Aluminium and Special Situations team, part of DBT's Business Group. FTE figure as at September 2024.

23 Based on DBT's estimates. These figures have not been audited as part of this work. These figures exclude individuals based in corporate support functions who are considered to have spent less than half of their time on the Steel Programme.

24 Supporting roles are not on an FTE basis.

25 Four of five risks in DBT's November 2025 risk register are shown in Figure 10. One of the five risks was not disclosed due to legal sensitivities.

26 UK Government, *The UK's Modern Industrial Strategy*, CP 1451, pages 40-41.

**Figure 10**

## The Department for Business and Trade's (DBT's) Steel Programme risks, July and November 2025

In November 2025, DBT listed two 'medium' and two 'high' risks in the risk register for its Steel Programme, and one risk was not disclosed due to commercial and legal sensitivity

Risk description	Risk rating	
	July 2025	November 2025
Medium- to longer-term Programme resourcing	High	Closed
Legal and financial risk over future of British Steel	High	↔ High
A delayed steel strategy that fails to meet stakeholders' expectations	High	↓ Medium
A breakdown in negotiations with Jingye causes an extension of the Steel Industry (Special Measures) Act 2025	High	Not disclosed
Lack of improvement to current operations (sales, trading, production, and health and safety)	High	↔ High
Officials are unable to deliver on ministerial expectations and objectives	High	↓ Medium

Closed Risk is no longer reported in the risk register

↔ Risk rating has stayed the same

↓ Risk rating has decreased

**Notes**

- 1 DBT assesses risks for their impact and likelihood. This assessment provides an overall score and risk rating.
- 2 In July, the Programme's risk register had six risks, all rated 'high' due to their impact and likelihood score. In November, two risks from July had been removed and one risk introduced; however, this is not disclosed due to legal sensitivities.
- 3 For consistency, we have calculated the risk rating for November 2025 using DBT's risk and issue assessment criteria.
- 4 'Medium- to longer-term Programme resourcing risk' is the potential impact of headcount reductions if the Programme is unable to provide role or job security, for example, people from other government departments temporarily working on the Programme could leave the Programme for greater job security elsewhere.

Source: National Audit Office analysis of the Department for Business and Trade's risk management information

## On-site governance

**3.9** The Secretary of State for Business and Trade and his representatives formally instruct British Steel using the powers set out in sections two and three of the Act. These take the form of written instructions. Between 12 April and 31 January 2026, 17 instructions have been provided to the company which pertain to the operation of blast furnaces, health and safety, the workforce, and transfer of funding. As the Scunthorpe site is an integrated site (Figure 6), actions will also have a wider effect on overall operations. The programme management office submits reports ('sit-reps') to the Secretary of State and other government departments.<sup>27</sup>

**3.10** DBT officials and its advisers, Ernst & Young LLP (EY), have regularly been on-site at Scunthorpe since the Act took effect on 12 April 2025. DBT's site management team, which consists of 10 roles, including one person seconded and three loaned from UKGI, work alongside external advisers, the company's workforce, and British Steel management, who are in turn supported by an advisory committee.<sup>28</sup> The on-site team's objectives relate to: finance and performance; governance; advising ministers; procurement and contract management; and ensuring join-up across government. A British Steel steering committee meets fortnightly and is chaired by the site director. It is attended by officials from DBT, UKGI, HMT, and EY.

## Current operations

**3.11** DBT worked with British Steel's management and advisers from EY to establish regular reporting on the following key operational areas: health and safety; the workforce; procurement and stocks of raw materials; production, sales and trading; and short-term cash-flow forecasts. The reports contain quantitative and narrative data on key matters and are used to inform discussions in the governance groups – notably the on-site management workstream and British Steel Ltd Steering Committee. The key operational issues are as follows:

- **Health and safety:** At 29 May, British Steel recorded 9.83 incidents per 1,000,000 hours (year to date) compared to the World Steel Association average of 5.54. Examples of significant health and safety issues include an aging gas holder seal causing gas leaks at the basic oxygen steelmaking plant, and an eruption of molten steel in May that caused an employee injury. Officials and reports note measures are being taken to improve health and safety, including investment in equipment, training and awareness. However this is yet to translate into demonstrable improvement in reported incident rates.

<sup>27</sup> These 'sit-reps' have reduced in frequency from near-daily at the start of the intervention to monthly as at November 2025.

<sup>28</sup> The advisory committee consists of external experts; it meets every two months and is chaired by the co-chair of the Steel Council.

- **British Steel workforce:** The number of permanent employees at British Steel has increased slightly from 3,683 on 12 April 2025 to 4,052 at 31 January 2026. At the start of the intervention, 203 critical roles were identified as a priority for recruitment. These include the Chief Operating Officer and HR director (both now filled). British Steel management we spoke to said there were some positive signs, with some employees who had left now returning. British Steel is also hiring apprentices for the first time in three years.
- **Raw materials:** Stock levels were reported to be at their closest to minimum for iron ore pellets on 25 April, with one day's worth of stock remaining until minimum levels were reached. The same day's report showed there were five days' worth of sinter fines remaining until minimum levels were reached. Reports note the ship containing pellets and sinter fines arrived on 30 April. Levels of coal were rated 'amber' between 19 April and 31 May due to sourcing challenges. Overall, stock levels on-site have stabilised since the intervention (**Figure 11** on pages 36 and 37), and at 31 January 2026 all stock levels had been rated 'green' by management for 27 weeks continuously.
- **Production:** Reports show actual production of steel has been behind weekly planned levels almost every week between 12 April 2025 and 31 January 2026. Management reports note operational issues and unplanned blast furnace outages. Officials we spoke to commented on ageing infrastructure at the site. British Steel is working to resolve production issues to ensure the company meets its targets.

## Costs of the intervention

**3.12** From 12 April 2025 to 31 January 2026, DBT has spent £377 million on the intervention (**Figure 12** on page 38).<sup>29</sup> This comprises the following:

- **£359 million funding (an average of £1.2 million per day).**  
The loan is classified as a debt to the Crown under the Steel Industry (Special Measures) Act 2025. There is no formal loan agreement, interest rate or repayment schedule for the funding, and it is not apparent that British Steel will be able to repay it. Further details will be included in DBT's 2025-26 accounts. This includes £17 million of raw materials purchased by DBT at the start of the intervention and provided to British Steel to replenish its stocks. It bought this from two suppliers, Javelin and LKAB. The remainder of the funding was provided to British Steel.
- **£15 million on advisers.**  
This includes £13 million spent with EY (paragraph 3.20) and £1.5 million on legal advice (paragraph 3.22).<sup>30</sup>

<sup>29</sup> Based on NAO analysis of DBT cost data, including spending on working capital, up to 31 January 2026. In a written statement to Parliament on 26 February 2026, DBT reported that approximately £370 million had been provided to British Steel for working capital, covering items such as raw materials and salaries. The full statement is available at: <https://questions-statements.parliament.uk/written-statements/detail/2026-02-26/hcws1366>

<sup>30</sup> Spending on EY does not include spending after 9 January 2026.

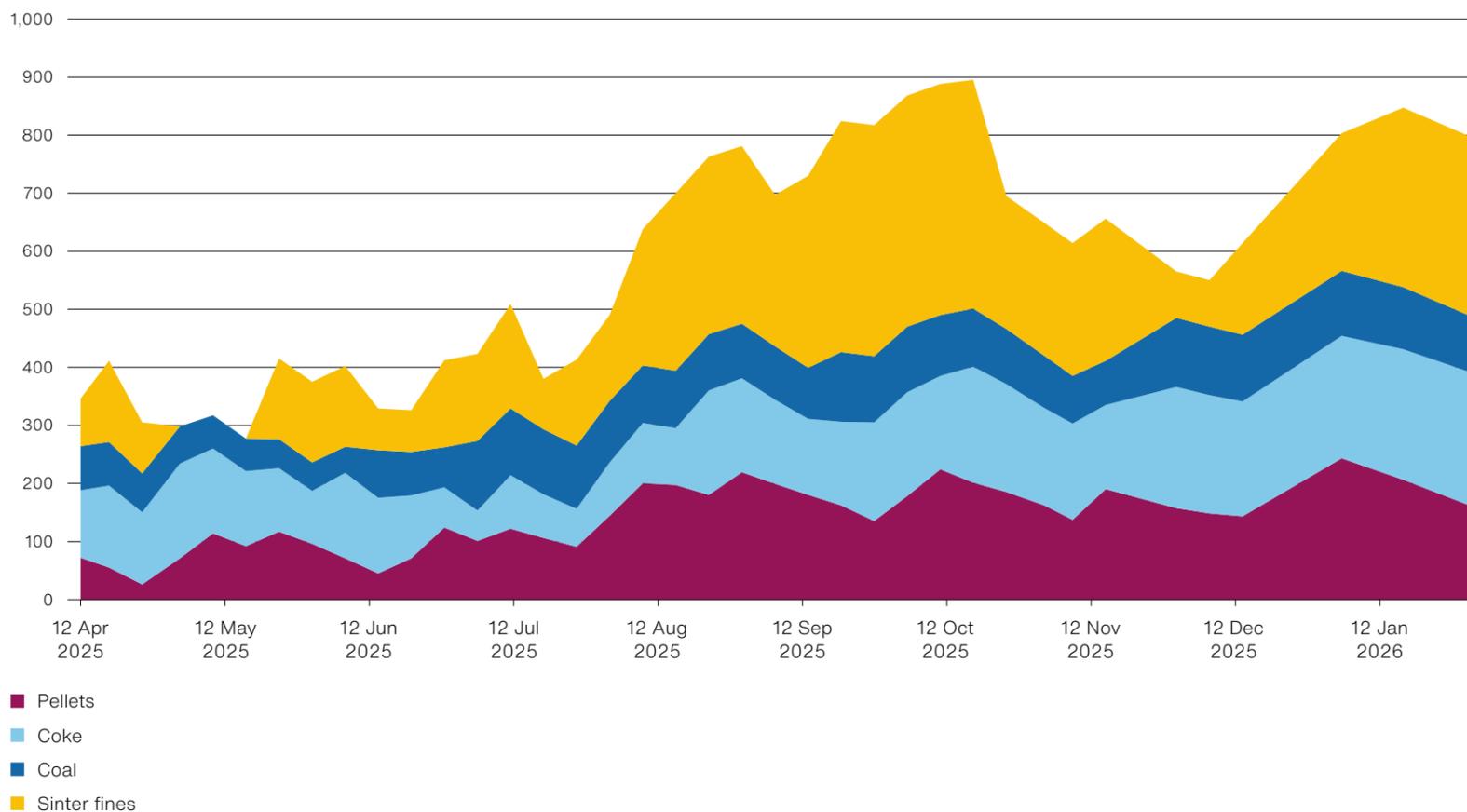
**Figure 11**

Raw material stock levels and steel production in kilotonnes, to 31 January 2026

British Steel's level of raw materials has stabilised since the 12 April 2025 intervention, yet production levels have been lower than planned due to operational outages

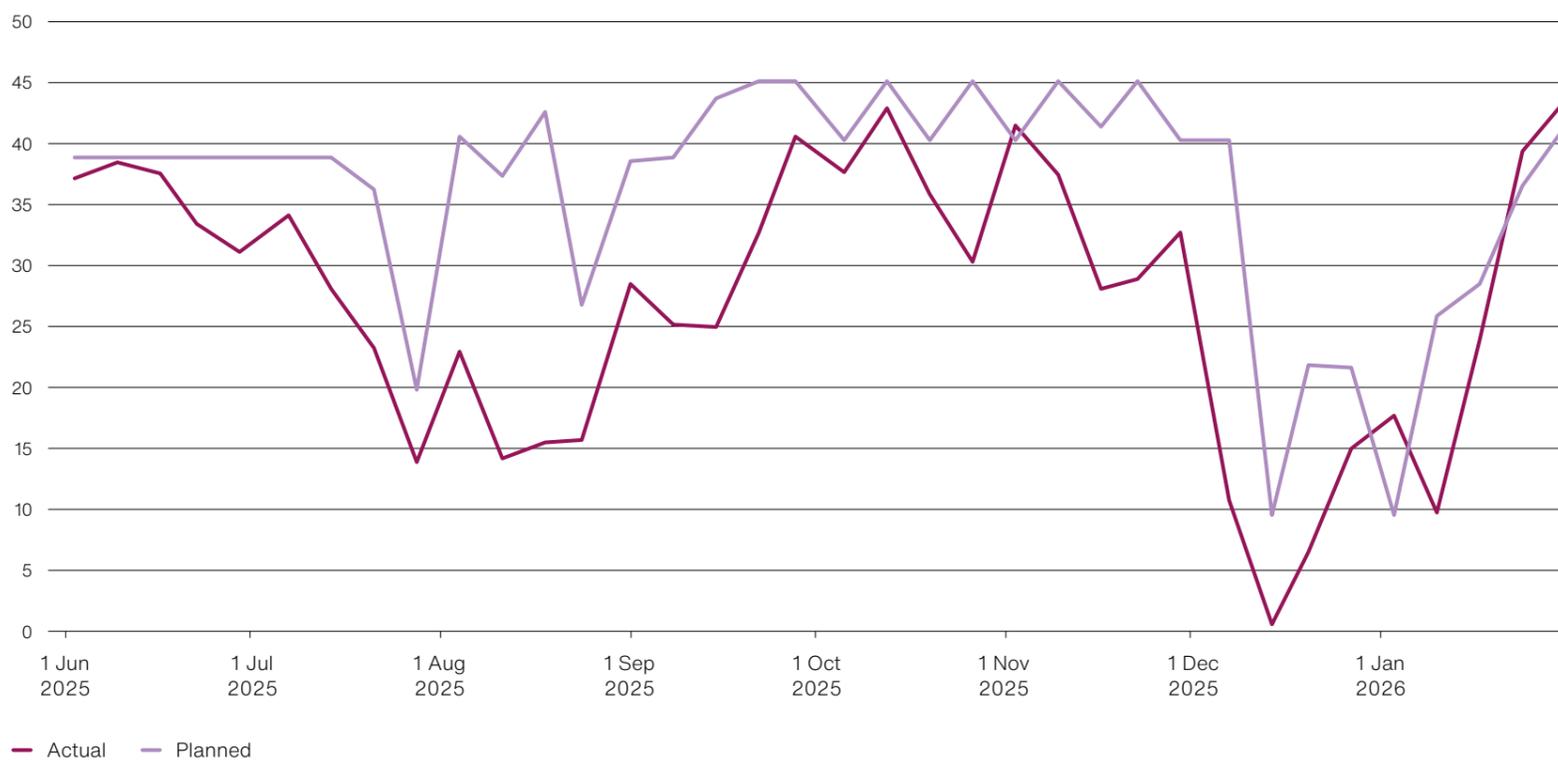
**Raw material stock levels**

Raw materials, kilotonnes



**Actual versus planned steel production levels**

Kilotonnes



**Notes**

- Ernst & Young LLP (EY) produces reporting packs for the Department for Business and Trade on the operation of British Steel's Scunthorpe site. These packs contain data including the site's raw material stocks and production levels. EY obtain this information from British Steel.
- Monitored materials include coal, coke, pellets, and sinter fines (shown above). Coal is primarily used to produce coke – an essential blast furnace fuel and reducing agent. Pellets are a source of iron (a precursor to steel) in the form of iron ore. Sinter fines (often abbreviated to sinter) is a manufactured mix of iron ore, coke, and limestone used as the primary feed in a blast furnace.
- For further information on steelmaking at British Steel's Scunthorpe site, see Figure 6.
- No data were available for sinter fines on 3, 10, and 17 May 2025. Consumption of sinter fines stock is phased gradually and thus dips in stock levels are not truly reflective of actual consumption.
- Reporting of weekly steel production levels (planned and actual) start from 1 June 2025.
- Production in December 2025 was affected by prolonged and significant, but unconnected, unplanned outages affecting both blast furnaces.

Source: National Audit Office analysis of information reported to the Department for Business and Trade, 12 April 2025 to 31 January 2026

**Figure 12**

Spending by the Department for Business and Trade (DBT) on its intervention in British Steel, 12 April 2025 to 31 January 2026

**DBT has spent £377 million on the intervention up to 31 January 2026 and, at average spending rates, will exceed £642 million by 30 June 2026**

	DBT spending from 12 April 2025 to:			
	31 January 2026 (actual)		30 June 2026 (estimated)	
	(£mn)	(£mn/day)	(£mn)	(£mn/day)
Funding provided to British Steel	359.3	1.2	615.2	1.4
Advice and support from Ernst & Young LLP (EY)	13.0	0.04	19.6	0.04
Legal costs	1.5	0.01	2.3	0.01
Other adviser costs	0.5	NA	0.5	NA
Staff and other costs	2.6	0.01	3.9	0.01
<b>Total</b>	<b>376.9</b>	<b>1.3</b>	<b>641.5</b>	<b>1.4</b>

**The cash provided to British Steel was used for:**

	(£mn)
Raw materials	208.9
Other operating costs	60.7
British Steel staff costs	56.8
Energy costs	31.7
Investment projects	1.2
<b>Total funding provided</b>	<b>359.3</b>

**Notes**

- Table shows spending on the intervention from 12 April 2025 to 31 January 2026. Before then, DBT funded a taskforce for negotiations. In a written statement to Parliament on 26 February 2026, DBT reported that funding to British Steel had reached £370 million.
- Spending data to 31 January 2026 were extracted by DBT from its accounting system. Spending on EY does not include amounts after 9 January 2026. We have not audited these data or how they were extracted. The audit of DBT's 2025-26 accounts will include audit work on expenditure.
- Estimated funding provided to British Steel by 30 June 2026 is taken from British Steel's business plan. Other costs that are ongoing have been extrapolated from the amount spent to 31 January 2026 assuming that the spending per day is constant. The actual spend may be lower than the extrapolated value. 'NA' denotes costs that are not ongoing and have not been extrapolated.
- In April 2025, DBT purchased some £17.4 million of raw materials and provided it to British Steel and this is included in the 'funding provided to British Steel' line. Since then, DBT has provided funding and British Steel purchases the raw materials itself.
- Other adviser costs include technical advice and a cyber security review of British Steel.
- Staff and other costs include DBT and UK Government Investments staff working in the Steel Programme. These costs have been estimated by DBT. Its accounting system does not allow it to easily quantify the exact contribution of staff working in multiple directorates to the intervention. These costs are therefore indicative and we have not audited them.
- Figures may not sum due to rounding.

Source: National Audit Office analysis of financial information from the Department for Business and Trade

**3.13** Funding is used for British Steel's day-to-day operations, including operation of blast furnaces and rolling mills, and other operating costs, such as energy. DBT told us it is avoiding spending on projects that are not required for any long-term transformation of the company. DBT has approved £1 million funding for 'no regrets' investment to maintain the manufacturing equipment used. British Steel has spent the cash provided by DBT on buying raw materials (£209 million, including the £17.4 million bought directly by DBT); other operating costs (£61 million); paying some 4,000 staff (£57 million); and energy costs (£32 million).<sup>31</sup>

**3.14** The total cost of the intervention is not known, but will be higher than the cash provided so far, as British Steel continues to lose money. The company's forecast for 2026 shows further operating losses of £343 million by June 2026 from revenue of £1,266 million. The value of British Steel's liabilities exceeds the value of its assets, and by June 2026 the deficit is projected to be £866 million. British Steel's projections imply total funding from DBT of £615 million by June 2026 (an average of £1.4 million per day from 12 April 2025 to 30 June 2026). EY reviewed British Steel's business plan in September 2025 and found that it assumed higher levels of production and sales and greater operational efficiency than had been achieved in 2025. EY's analysis was limited by deficiencies in British Steel's financial controls and forecasting capability.

**3.15** DBT has not yet quantified the benefits of the intervention but considers that the intervention prevented the disorderly shutdown of the two blast furnaces. In January 2025, the Cities and Local Growth Unit estimated that, in a 'reasonable worst case' scenario, closure of British Steel could result in some 10,000 jobs lost, including 3,000 from the Scunthorpe site and additional jobs lost from the supply chain.<sup>32</sup> It estimated the cost to the local economy could be up to £802 million in lost gross value added (GVA; a measure of economic output) over five years, although taxpayer funding of £253 million could reduce this impact to some £302 million.

**3.16** The final impact assessment, published on 22 January 2026, reports on the rationale and expected impacts of the Steel Industry (Special Measures) Bill.<sup>33</sup> It outlines an illustrative value for money quantification based on three key monetised benefit categories: health and safety, supply chain continuity, and strategic resilience. It concludes that, taken together, these benefit categories can deliver positive net social value, especially if the intervention supports national capability and economic continuity. The assessment concludes that the Bill was designed as a 'last resort' mechanism.

31 These payments are not the entirety of British Steel's costs, for example 'paying staff' is not equivalent to all of British Steel's monthly payroll costs.

32 The Cities and Local Growth Unit was a joint unit between DBT and the Ministry of Housing, Communities and Local Government. The unit was responsible for designing and implementing centrally led local growth policies and furthering the government's devolution plans. The Unit closed on 31 March 2025.

33 Steel Industry (Special Measures) Bill 2025: final impact assessment. Available online at: [https://assets.publishing.service.gov.uk/media/697112577e827090d02d431b/steel\\_industry\\_special\\_measures\\_bill\\_impact\\_assessment.pdf](https://assets.publishing.service.gov.uk/media/697112577e827090d02d431b/steel_industry_special_measures_bill_impact_assessment.pdf)

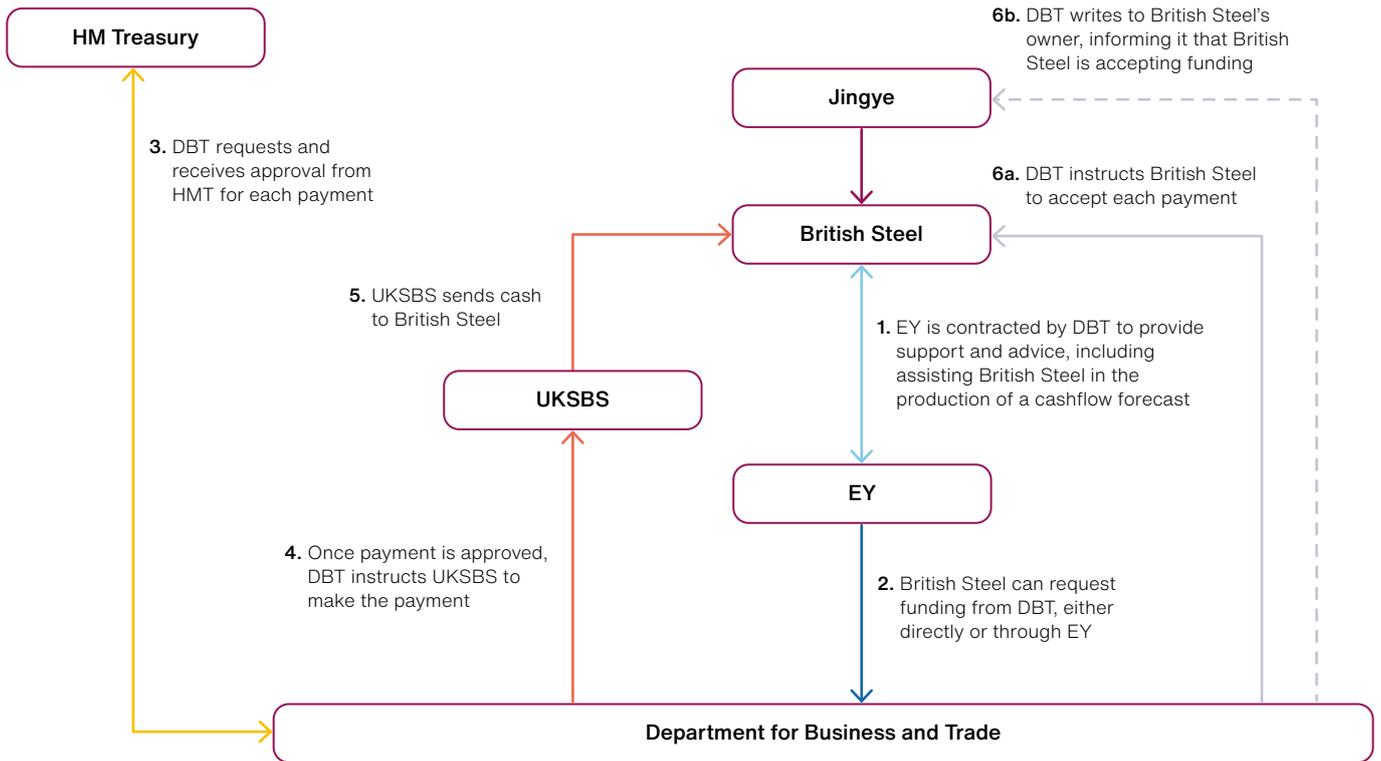
**3.17** DBT was not allocated funding for the intervention in the June 2025 Spending Review. There is no formal budget for the intervention, nor limit on the cash that can be provided to British Steel. DBT told us it is focused on running the business and making decisions that keep options open for the future. HMT approves each transfer to British Steel, on a case-by-case basis (**Figure 13**). It takes DBT around three working days to make each payment. DBT expects to reduce the frequency of HMT approvals in future because the company's latest business plan is considered more robust and gives a longer term (six months) forecast of cash required. HMT told us that, although the frequency of approvals may change, this is not a change in policy, and the controls remain the same.

**3.18** If spending continues at current rates, it could exceed £1.5 billion in 2028 depending on policy choices that may be taken in the future. This is before any potential transformation of British Steel, compensation to Jingye, or exit costs. The government has committed to setting out a compensation scheme at the end of the intervention, which it said would provide for an independent assessment to determine what amount of compensation, if any, is appropriate. There are also other interventions in the sector, and other sectors, which require government funding. For example, the Official Receiver is conducting a sales process for Speciality Steel UK with funding from DBT. DBT told us that it continues to monitor British Steel's future funding requirements, and while the latest forecast is around £460 million to the end of March 2026, this is subject to change. It noted that funding required is volatile because of factors such as currency exchange rates, fluctuating raw material cost, the varying cost of carbon allowances and the condition of ageing assets.

**Figure 13**

The process for providing government funding to British Steel

HM Treasury (HMT) approves each payment, including the funding to British Steel, on a case-by-case basis



- Organisation
- ➔ Ownership of shares
- ➔ Support and advice
- ➔ Request for funding
- ➔ Approval requested and received
- ➔ Cash transfer process
- ➔ Formal instructions to accept cash under the Steel Industry (Special Measures) Act 2025
- ➔ Information sent to shareholder

**Notes**

- 1 Before requesting approval from HMT, DBT has an internal approvals process for each payment.
- 2 UKSBS is a shared service centre jointly owned by several government departments including DBT. It provides back-office services such as cash management.
- 3 Instructions under the Steel Industry (Special Measures) Act 2025 are formally made by DBT on behalf of the Secretary of State for Business and Trade.
- 4 Jingye Group Co Ltd, a company incorporated in China, remains the owner of 100% of British Steel Ltd’s shares. Ownership is through the following holding companies: Jingye Steel (UK) Holding Ltd, a UK company; and Jingye International (HK) Holdings Company Ltd, a company incorporated in Hong Kong.
- 5 We have not audited this process, but our audit of DBT’s 2025-26 accounts will consider controls over expenditure.

Source: National Audit Office analysis of Department for Business and Trade’s documentation of financial controls

## The role of advisers

**3.19** DBT is working closely with others to implement the intervention. It has spent £15 million on advisers (12 April 2025 to 31 January 2026), some 4% of the £377 million spent on the intervention so far.<sup>34</sup> DBT awarded five contracts to its four advisers. It awarded three new call-offs from Crown Commercial Service (CCS) frameworks, extended an existing call-off contract and awarded one new contract not using a framework.<sup>35</sup> The five contracts were awarded without competition, primarily due to the speed at which they needed to be put in place to ensure the programme had the support it required. Advisers are paid based on rates in line with the associated CCS frameworks for each call-off contract. There is no performance measurement framework in two of the contracts. The other contracts have key performance indicators but do not include deductions if they are not met. DBT told us it has contract managers in place and that it monitors performance through defined targets and review points. Our 2025 report, *Lessons learned: the government's use of external consultants*, notes departments should clearly define "outcomes, targets, measures and timelines, supported by built-in review points, ensure accountability and drive performance".<sup>36</sup>

**3.20** Ernst & Young LLP (EY) is DBT's main adviser for the intervention. EY has been involved since 2019, when it was appointed by the Official Receiver to manage British Steel before the sale to Jingye. EY also provided advice to DBT and HMT before the intervention (paragraph 2.2). For the current intervention, DBT awarded EY a 30-day contract from 13 April 2025, the day after the Steel Industry (Special Measures) Act 2025 was passed. A second contract started in May 2025 and, following extensions, runs to 12 June 2026. EY has been paid £13 million to provide advice to both DBT and British Steel in 14 broad areas, including cash management, sales, reporting, health and safety and, since July 2025, valuation. It helps British Steel prepare its cashflow forecast and presents it to DBT. DBT's finance team uses EY's work when checking that British Steel has spent taxpayer cash appropriately. EY's team had 26 FTE advisers in April 2025, which decreased to some 15 FTE in January 2026.

<sup>34</sup> Spending on EY does not include spending after 9 January 2026.

<sup>35</sup> Framework agreements involve two stages. In stage one, the framework provider runs an initial selection process to find potential suppliers. In stage two, a 'call-off process' is run by the buying organisation to award a contract to one of the suppliers on the framework. DBT considers that it awarded the adviser contracts in accordance with the procurement rules, for example it used frameworks that allowed for direct awards, and the other contracts were below relevant thresholds.

<sup>36</sup> Comptroller and Auditor General, *Lessons learned: the government's use of external consultants*, Session 2024–2026, HC 1381, National Audit Office, November 2025.

**3.21** EY's contract is a call-off from an existing CCS framework for restructuring and insolvency services. For this intervention, EY is providing advice and support to DBT and British Steel management but is not taking management decisions. DBT told us that EY's support was particularly valued in helping British Steel improve its cash forecasting processes.

**3.22** DBT has also paid other advisers for technical advice as follows:

- £1.5 million for legal advice due to negotiation sensitivities and ownership considerations.<sup>37</sup>
- £0.4 million to the engineering consultancy Hatch Ltd for technical advice to inform the steel strategy (paragraph 4.9) and research into the UK steel market.
- £0.1 million to Accenture to perform a cyber security review of British Steel's software, systems and networks (May 2025 to June 2025). DBT has not shared the report with us due to its perceived sensitivity. It told us that any issues raised by the review would be for the company itself to address in the future.

37 The main recipient was Ashurst LLP.

## Part Four

### Future considerations

**4.1** This Part sets out how the Department for Business and Trade (DBT) is preparing for next steps regarding the intervention in British Steel, future costs and trade-offs, and its strategy for the future of the steel sector.

#### Exiting the intervention

**4.2** DBT is considering how it will bring this intervention to an end, in line with the government's forthcoming steel strategy. DBT's national security assessment for the wider steel sector is in progress. Through its Steel Programme, DBT considers that it has a structure and plan for ministers to be able to agree a final outcome and exit. DBT will need to consider British Steel's longer-term business model, the timeline for achieving this, and work with other government departments (such as HM Treasury which also monitors various aspects of the steel sector) to continue assessing whether the intervention is meeting its objectives. Our 2023 good practice guide and accompanying lessons learned report on *Monitoring and responding to companies in distress* notes that, when the government is appraising options, we would expect to see consideration, from the outset, of exit options, which are prepared for appropriately and in a timely fashion. For example, when the Ministry of Defence acquired Sheffield Forgemasters in 2021, it intended to return the company to the private sector – however there were no timescales for this.

**4.3** The total future cost of this intervention depends on whether contingent liabilities lead to future payments.<sup>38</sup> These include any potential future payments to Jingye and guarantees to British Steel's suppliers, including for natural gas and electricity, to ensure British Steel retains preferential rates, or compensation as a result of officials or management following directions or requirements under the Act. Whether these are included in DBT's accounts will depend on the likelihood of payment and whether the amount can be estimated.<sup>39</sup> DBT expects to report the contingent liabilities relating to the intervention in its 2025-26 accounts, which it plans to publish in summer 2026.

<sup>38</sup> HM Treasury defines a contingent liability as a commitment to use public funds if future, uncertain, events occur.

<sup>39</sup> Government accounts also require potential obligations where the chance is 'remote' to be disclosed. In this paragraph we do not distinguish between the two types of contingent liabilities.

**4.4** In the interim, the government will continue to fund site operations, as it has been doing since April 2025. There is no stated time limit to this support. DBT will have to make efficiencies elsewhere to fund part of the intervention from its existing budgets. There are wider implications for this spending as the amount spent on the intervention will likely reduce funding for growth-driving initiatives elsewhere, such as those announced in its 2025 Industrial Strategy. In September 2024, the government announced a commitment of up to £2.5 billion to support the steel industry through measures such as improving the business environment, reducing energy bills, and using more green UK-made steel for infrastructure projects. This is in addition to the £500 million committed to Tata Steel's transition to electric arc furnace production at Port Talbot. DBT, HMT and other departments will likely have to make decisions about any subsequent trade-offs.

#### The short-term future of British Steel

**4.5** Jingye remains the sole shareholder of British Steel but, since the intervention, has not taken any part in the management of British Steel. British Steel told us that a lack of clarity over its future ownership causes uncertainty for its customers, suppliers and workforce.

**4.6** During the Steel Industry Special Measures Bill debate on 12 April, the then Secretary of State for Business and Trade said that, while a transfer of ownership may be a "likely" option, the aspiration for British Steel was a co-investment agreement with a private sector partner to secure a long-term transformation.<sup>40</sup> DBT told us it has been in contact with the owner, with a view to finding a way through that meets the government's aims of preserving steelmaking in Scunthorpe and enabling future discussions about investment.

#### The longer-term future of British Steel

**4.7** DBT has started to consider options for the longer-term future of British Steel, and submissions to ministers have set out several options, depending on what happens to the company's ownership following the Steel Industry (Special Measures) Act 2025. DBT notes that a long-term viable future for the company would likely require both private-sector and public-sector investment.

<sup>40</sup> Steel Industry (Special Measures) Bill Volume 765: debated on Saturday 12 April 2025. Available at: [https://hansard.parliament.uk/commons/2025-04-12/debates/1F7B8ADD-0705-44A0-8EF5-EFB936CDED25/SteelIndustry\(SpecialMeasures\)Bill](https://hansard.parliament.uk/commons/2025-04-12/debates/1F7B8ADD-0705-44A0-8EF5-EFB936CDED25/SteelIndustry(SpecialMeasures)Bill)

**4.8** Longer term options that the government may need to consider for the future of British Steel involve:

- **Transition to electric arc furnaces:** In March 2025, British Steel's current Chief Executive stated in a Business and Trade Committee evidence session that this is the only viable route for its long-term future. Such a transition could happen with ongoing blast furnace production, or by managed shutdown of blast furnaces over the transition period. It is likely to affect British Steel's customer base in the short-term, but stakeholders told us it would be possible to certify and transition to electric arc furnace products. Transition to electric arc furnaces will require capital expenditure to build the furnaces and for grid connectivity at Scunthorpe.
- **Transformation of the business model:** Stakeholders we spoke to described the aging infrastructure at Scunthorpe. Options could include a different location for electric arc furnaces or getting ahead technologically by exploring hydrogen or nuclear energy options to 'leapfrog' electric arc technology. British Steel could even focus on 're-rolling' steel from elsewhere into finished products (that is, not produce primary or secondary steel at Scunthorpe) or on other processing, welding and stocking activity. This would allow the company to continue to service key customers such as Network Rail.

### **Support for steel and other priority sectors**

**4.9** DBT has been developing a steel strategy and announced a consultation in February 2025.<sup>41</sup> It intends to establish a long-term vision for the UK steel industry, address challenges faced by UK steelmakers and attract new private investment. It is expected to set out a range of policies to create a more supportive business environment, including boosting demand, addressing trading uncertainty, reducing electricity prices and supporting decarbonisation. DBT told us the steel strategy has been delayed in part due to developments in the sector, a change in ministers in September 2025, and the need for more robust measures on decarbonisation and trade defence. It is currently planned to be published in early 2026.

**4.10** Industry stakeholders we spoke to said the strategy needs to address two major challenges affecting the steel sector: high electricity prices (affecting the competitiveness of British products) and uncertainty over trade restrictions. This is significant given sector objectives to decarbonise and move towards electric arc furnaces, and the reliance on both raw material imports and steel exports from the UK. DBT is already working to address energy price reductions for intensive industries, global excess supply, and to establish the UK's trade defence position.

41 Department for Business and Trade, *The steel strategy: the plan for steel*, February 2025.

**4.11** Our 2025 report *Supporting the UK's priority industry sectors* found that DBT did not have a consistent framework to balance different factors when deciding what to fund.<sup>42</sup> We noted that it did not have a complete overview of what it, and wider government, spends supporting industry, which limits its oversight. DBT recognises there is an opportunity cost associated with spending on interventions like this one in British Steel, and it is likely there will be less funding available for commitments to support the eight key growth-driving sectors identified in the government's Industrial Strategy. DBT told us it is piloting a new tool in conjunction with other government departments to improve understanding of strategic companies and associated risks, and to support prioritisation of future government interventions.

**4.12** DBT continues to respond and intervene in other companies; for example, its December 2025 announcement of £125 million in support for Ineos's ethylene chemical plant at Grangemouth, and its guarantee of a £1.5 billion loan to Jaguar Land Rover to help mitigate the impact of the cyberattacks it faced in 2025. DBT also needs to consider how it will support the future operation of other steel companies (paragraph 3.18) and its future response to companies in distress.

**4.13** As highlighted in our good practice guide *Managing and responding to companies in distress*, DBT can use its upcoming steel strategy to set out clear objectives for the sector, including:

- long-term resilience;
- understanding how private companies contribute to those objectives and which are strategically important; and
- understanding how those objectives relate to others across government, including economic resilience, and recognising and preparing to respond to conflicts and trade-offs between objectives.

<sup>42</sup> Comptroller and Auditor General, *Supporting the UK's priority industry sectors*, Session 2024-25, HC 744, National Audit Office, March 2025.

# Appendix One

## Our audit approach

### Our scope

- 1** This investigation examines the government's 2025 intervention in British Steel's Scunthorpe site, led by the Department for Business and Trade (DBT). It focuses on the wider context and background to the intervention; events leading up to the intervention; the current operations, costs, and risks; and future considerations.
- 2** As part of our investigation, we have also considered wider factors which provide context to the intervention, including the pressures faced by the sector, other steel companies, and potential considerations for British Steel's future.
- 3** British Steel has operations located in several areas across the UK, including in England and Northern Ireland. We primarily considered the impact of the intervention on the Scunthorpe site, including the progress of the intervention in ensuring the safe functioning of blast furnace operations.
- 4** This investigation does not evaluate the value for money of this intervention, or compare the effectiveness of this with other government interventions in the steel sector or more broadly.

### Our evidence base

#### Interviews with DBT and other government departments

- 5** Between September 2025 and February 2026, we conducted 21 interviews with DBT, staff from central government departments and arms-length bodies involved in the intervention. These discussions were primarily with officials from DBT, but we also spoke to officials from HM Treasury and the Cabinet Office.
- 6** To aid in our wider understanding, we spoke with teams in departments that played a key supporting role, including UK Government Investments, Office for Investment, and the Cities and Local Growth Unit.

## Interviews with representatives from British Steel management and workforce

**7** We spoke with British Steel's interim Chief Executive Officer, and other British Steel staff during our site visit to Scunthorpe steelworks between 18 and 19 November 2025. We also spoke with partners from Ernst & Young LLP (EY) who have been commissioned to provide advice to the government in support of the ongoing intervention.

**8** To aid in our understanding of workforce-related issues since the intervention, we spoke with representatives from two trade unions: Unite the Union, and Community Trade Union, which are active among British Steel's workforce.

**9** We did not speak with representatives from Jingye Group as part of our fieldwork for this investigation but they have provided comment on relevant extracts from this report.

## Interviews with external stakeholders and non-departmental public bodies

**10** Alongside staff from government departments, a range of other stakeholders were identified as having input into the overall intervention. We conducted interviews with staff from non-departmental public bodies, including Network Rail, which is a customer of British Steel.

**11** External and industry-led bodies also provided input into the intervention, including through providing research and input considered by government. As part of our fieldwork, we conducted interviews with representatives from the government co-chaired Steel Council, as well as staff from the Materials Processing Institute and sector body UK Steel.

## Document review

**12** We reviewed documents provided to us under our engagement letter for this investigation, including:

- government submissions, options assessments, meeting minutes and case management notes in support of discussions between the government and British Steel's owner between 2021 and 2025;
- analysis produced to support the government's position during negotiations prior to the intervention, including analysis of British Steel's financial and commercial position, as well as counter-factual and local area contingency planning;
- correspondence between departments and British Steel's owner in the run-up to and during the intervention, including those relevant to the 12 April 2025 ministerial direction, alongside analysis of the potential costs of intervention;

- letters of engagement and contract notices in support of the work of commercial, technical and legal advisers, such as EY, who have supported the intervention, alongside cost information and outputs;
- management directions from the Secretary of State for Business and Trade in support of the intervention, including letters of authorisation for ongoing funding issuance;
- sources of management information used throughout the intervention, including ongoing sit-reps, production, personnel, procurement and cash reports for British Steel;
- wider analysis and documentation supporting British Steel's commercial position in the UK and globally, including customer profile analysis, UK steel procurement data, and environmental and technical research concerning the feasibility and costing of potential transformation options for Scunthorpe steelworks; and
- risk, governance and programme management information concerning both the Steel Programme and wider steel strategy, as well as supporting information concerning government assessment of the future outlook for British Steel.

**13** To aid in our understanding of the national security implications of the April 2025 intervention, we reviewed the government's national security assessment in person at DBT's offices on 17 December 2025. The national security assessment is an in-progress assessment for the wider steel sector. We supported this with further document review of minutes and agendas from high-level official and ministerial meetings, to help shape our understanding of wider strategic thinking across government.

#### Site visit

**14** We visited Scunthorpe steelworks between 18 and 19 November 2025 in order to gain a better understanding of the operational realities of running an integrated blast furnace steelworks.

**15** The site visit considered a range of factors relating to Scunthorpe steelworks, including:

- the physical condition of the site itself and level of utilisation of the premises;
- observations of employment activity at the site, including labour intensity and level of automation, as well as supporting office and personnel management;
- business activities at the site, including storage and throughput of materials, production and inventory management, and issues impacting production such as stoppages;

- health and safety management at the site, including use of personnel protective equipment (PPE), signage and observation of physical risk factors to human and environmental health (temperatures, chemicals, exposure to machinery), and provision of on-site emergency medical facilities; and
- observation of interdependencies at the site and between production processes, including those supported by the continued operations of blast furnace operations.

### Financial and data analysis

**16** We reviewed and produced a range of analysis in support of our understanding during the investigation, including:

- analysis and data visualisation of the wider steel sector including factors such as employment, production and value-added contribution to the UK economy, as well as individual company reports and annual accounts for major iron and steel producers;
- British Steel financial information, including company annual report and accounts and review of supporting modelling of its financial position both before and after the intervention; and
- analysis of UK steel procurement data.



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