



## Department for Business & Trade

**Gareth Davies**

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Secretary of State

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### **BRITISH STEEL**

I am writing to summarise my assessment as the Principal Accounting Officer of the proposal to take control of the British Steel site at Scunthorpe through the Steel Industry (Special Measures) Bill.

Steel is essential to the modern economy. It has a central role in driving economic growth, from building infrastructure through to manufacturing the next generation of electric vehicles. There is no developed economy without sovereign steelmaking capacity in some form.

Your objective is to ensure the continued operation of the blast furnaces at Scunthorpe, preserving primary steel making capability in the UK.

Once a blast furnace is cooled, it is hard, if not impossible, for it to be restarted. You have judged that it is in the wider public interest to urgently take this course of action through the Steel Industry (Special Measures) Bill. I agree. As your Permanent Secretary I will ensure that the department delivers on your policy objectives. This may require purchase of raw materials and transfer of liquidity funding to British Steel.

I am also personally responsible to Parliament as the Principal Accounting Officer to ensure that all new expenditure is in line with the requirements set out in Managing Public Money. However, the speed with which we need to act does not allow us to gather the necessary evidence to comprehensively assess this course of action against the four tests.

In these circumstances the way to act urgently is by issuing a Ministerial Direction. This is in line with previous precedents.

I have set out my assessment against the four tests of Managing Public Money below. I agree with your proposed course of action, but given the need to act urgently we are not able to complete a full assessment. To be clear, I am not saying that the intervention is unfeasible or poor value for money. It is just at this point we do not have the necessary evidence.

Once you have issued a Direction, I will ensure that the policy is rapidly implemented.

Following a Ministerial Direction I am also required to share all relevant papers with the Comptroller and Auditor General, the Public Accounts Committee, the Business and Trade Select Committee and the Treasury Officer of Accounts.

*Yours*



**GARETH DAVIES**  
Permanent Secretary and Principal Accounting Officer  
Department for Business and Trade

## **ACCOUNTING OFFICER ASSESSMENT**

### **BRITISH STEEL**

#### **Regularity**

The proposed course of action will have legal basis through the Steel Industry (Special Measures) Bill.

The 2022 Subsidy Control Act requires any funding for a company in distress to either have a credible restructuring plan, or to have a national security exemption. The legal advice is that we have sufficient evidence for us to use this exemption.

The regularity test has been met, subject to sufficient budget cover from HMT.

#### **Propriety**

We will control the use of taxpayer funds at British Steel through our contract with EY as Special Managers. This is in line with our approach at the same site in 2019.

The propriety test has been met.

#### **Feasibility**

The need to act urgently means we are not able to undertake the usual full due diligence before taking control of the site. We do not know what acts the current owners will take before we assume control. Also, there is high degree of uncertainty over the supply of raw materials needed to maintain operation of the blast furnaces.

Given the high degree of uncertainty, the feasibility test is not met.

#### **Value for money**

We are not able to have full assurance on the operating costs, likely revenues and balance sheet in advance of taking control.

Given the high degree of uncertainty, the value for money test is not met.