

The UK public sector has already spent £573 million on artificial intelligence contracts in 2025, exceeding last year’s £468 million total, according to procurement analyst Tussell. Public bodies have awarded 192 contracts so far this year, reflecting fewer deals but higher-value awards as government deepens its commitment to AI-driven transformation.

Among the biggest recent contracts, National Highways awarded £35 million to Deloitte, while the Information Commissioner’s Office granted Capgemini more than £4.8 million. Local councils have collectively spent over £9 million on AI projects. In June and July alone, 35 contracts worth £88 million were signed.

The data shows steady growth since 2018, with a sharp acceleration following the rise of generative AI tools such as ChatGPT. Annual spending more than doubled between 2022 and 2023, rising from £212 million to £497 million. The largest single contract to date remains the Met Office’s £1 billion deal with Microsoft in 2021 for its ‘Supercomputing 2020+’ programme.

Prime Minister Sir Keir Starmer has pledged to “rewire” the UK through technology, aiming to save £45 billion annually by boosting civil service efficiency. AI investment reflects this agenda, with predictive analytics leading the way, accounting for 58 per cent of the £2.4 billion spent on AI between 2018 and late 2024. Other major applications include automation, natural language processing, image recognition and machine learning.

Key procuring bodies include the Met Office, Department for Science, Innovation and Technology, Department of Health, Home Office, Ministry of Defence and Department for Work and Pensions. Suppliers benefiting from the contracts include Microsoft, Palantir, Capgemini, HP, Serco and UiPath, which recently secured a £10 million deal with the DWP for robotic process automation.

These contracts are supported by broader government initiatives. The 2025 Spending Review allocated £3.25 billion for digital transformation and £1.2 billion to advance cross-cutting digital priorities. A memorandum of understanding with OpenAI is also set to expand AI infrastructure and integrate technologies into justice, defence and education.

“Artificial intelligence spend is only going to increase over the next months and years,” said Sean Williams, founder and CEO of AutogenAI. “Generative AI is a paradigm-shifting general purpose technology—like the printing press, electricity or the internet. This report shows the first stirrings of the change that is coming.” Despite rapid growth, AI contracts still account for just 2.5 per cent of the £134 billion spent on IT services and software since 2018, suggesting ample room for expansion. With strategic partnerships, targeted investment and strong policy backing, the UK is positioning itself as a leader in responsible AI adoption.

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## Bibliography

1. <https://www.digit.fyi/public-sector-ai-procurement/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/70559d0c-5fb7-472e-b7c5-3735c6ba2da7> - As of July 15, 2025, the UK government has awarded £573 million in AI-related contracts, surpassing the £468 million total for 2024. These contracts encompass various AI applications, including generative AI, predictive analytics, automation, and image recognition. This initiative aligns with Prime Minister Sir Keir Starmer’s plan to enhance civil service efficiency and reduce government waste, aiming for annual savings of at least £45 billion. Major contract recipients include Microsoft, Palantir, Kainos, HPE, and UiPath, with UiPath securing a £10 million contract with the Department for Work and Pensions (DWP).
3. <https://www.tussell.com/insights/ai-procurement-tracker> - Tussell's AI Procurement Tracker provides comprehensive data on AI-related contracts awarded by the UK public sector. Between January 2018 and the end of May 2025, the UK public sector awarded 1,274 AI contracts, totalling £4.1 billion. The tracker offers insights into the types of AI capabilities the government is procuring, the suppliers involved, and the contract values, serving as a valuable resource for understanding AI adoption across government departments.
4. <https://www.ft.com/content/5ef3b1e2-20d0-4365-8e15-a816d49bc5c8> - The UK has signed a strategic partnership with OpenAI as part of an effort by Prime Minister Keir Starmer’s government to attract AI investment and integrate AI technologies into public services. The memorandum of understanding includes a non-binding commitment from OpenAI to explore investments in UK AI infrastructure, including data centres and job creation. In return, the UK government plans to adopt OpenAI’s AI technologies in sectors like justice, defence, and education, potentially involving the use of data from millions of citizens.
5. <https://www.tussell.com/insights/2025-spending-review-what-it-means-for-public-procurement> - The 2025 Spending Review (SR25) positions technology investment as a central strategy for modernising the state and unlocking productivity gains across government. The SR25 includes a £3.25 billion Transformation Fund to build strong digital and technology foundations, tackle urgent cybersecurity and technical resilience risks, modernise public service delivery, and drive a major overhaul in government productivity and efficiency. An additional £1.2 billion will be provided to the Department for Science, Innovation and Technology (DSIT) to drive forward cross-cutting digital priorities.
6. <https://www.ukauthority.com/articles/predictive-analytics-accounts-for-most-of-public-sector-s-ai-spending/> - A majority of UK public sector AI spending has so far gone on predictive analytics, according to research company Tussell. The category accounted for £1.4 billion of a total of £2.4 billion (58%) of the spend between January 2018 and November 2024. The next largest category was data analysis with £394 million (16%), followed by research into AI with £179 million (7.4%), automation with £95 million (3.9%), machine learning with £51 million (2.1%), image recognition with £26 million (1.1%) and natural language processing with £8.9 million. £229 million of the spend (9.5%) was uncategorised.
7. <https://www.tussell.com/insights/ai-and-the-public-sector> - Tussell's analysis of AI procurement in the UK public sector highlights the top buyers and suppliers. Notable contracting authorities include Imperial College Healthcare NHS Trust, HM Revenue & Customs (HMRC), Peterborough City Council, Ministry of Defence (MOD), and Department for Health and Social Care (DHSC). Leading suppliers include Abbott Laboratories Limited, Cognizant Worldwide Limited, Konica Minolta Business Solutions East Limited, Capgemini UK PLC, and Coforge Limited. The analysis also examines the role of frameworks in AI procurement, noting that between January 2016 and December 2021, 144 AI-related call-off contracts were awarded with a total value of £225 million across 45 frameworks.