# New government directorate to scale AI across local councils



The Ministry of Housing, Communities and Local Government (MHCLG) has launched a new directorate aimed at expanding the use of artificial intelligence in local government. Led by Tom Smith, the unit is tasked with enhancing service delivery and removing barriers to the adoption of digital tools.

Smith acknowledged progress in the sector but said significant challenges remain. “Brilliant work” is already underway, he said, but widespread adoption of digital solutions is still hindered by structural and technical obstacles. “Digital and data transformation must be central to how councils evolve,” he added, pointing to AI’s potential to boost efficiency and foster collaboration.

The directorate will focus on improving data standards, mobility and integration. Smith also urged better engagement with software suppliers and encouraged councils to respond to a new survey, designed to map challenges and uncover opportunities for data sharing and insight generation. The initiative signals a more coordinated approach to digital transformation across local authorities.

The directorate is part of a wider push by the UK government to overhaul public services through technology. Technology Secretary Peter Kyle has outlined a “giant leap forward” for the sector, centred on cutting bureaucracy and unifying public services. A six-point digital strategy highlights the role of AI as a key enabler of these reforms.

The Lifting Lives programme, championed by Prime Minister Sir Keir Starmer, complements this agenda with a focus on reducing socio-economic disparities. It includes plans to combat digital poverty and improve education access through partnerships with tech firms.

Alongside public service reform, Finance Minister Rachel Reeves has pledged around £86 billion for research and development, part of a £2 trillion public investment strategy. The funding aims to stimulate innovation and job creation, with AI playing a central role in the UK’s economic future.

Despite this momentum, challenges persist. Concerns over data privacy, the energy demands of AI infrastructure, and the risk of excluding vulnerable groups from digital services remain unresolved. Experts warn that equitable access must be prioritised to ensure no one is left behind.

To address these concerns, the government is considering AI growth zones and improved energy efficiency in data centres. These initiatives aim to align AI progress with the UK’s net-zero goals while driving productivity across public services.

As the UK accelerates its digital transformation, balancing innovation with inclusion and sustainability will be crucial. The success of the new directorate may hinge not only on its technological ambition but on its ability to deliver change that benefits all.

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## Bibliography

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2. <https://www.ft.com/content/9cd0fcaa-fbb4-43fc-82b2-099fabe10b7b> - In response to rising discontent over stagnant living standards and increasing child poverty in 2025, UK Prime Minister Sir Keir Starmer launched the Lifting Lives (LL) programme, a comprehensive initiative aimed at transforming opportunities for young people, particularly from disadvantaged backgrounds. Key measures included abolishing the two-child benefit cap, reinstating 1,400 Sure Start centres, and eliminating digital poverty by providing every student with AI-powered tutors and internet access through partnerships with tech companies. The initiative also improved mental health services in schools by deploying in-house clinicians and enhanced vocational and employment pathways by restoring career advisory funding, introducing a Technical Baccalaureate, and guaranteeing post-18 education or training opportunities. Furthermore, the LL programme revitalized community and leisure infrastructure through youth clubs sponsored by football teams, addressing social mobility beyond education and work. By 2029, these interventions collectively reignited the 'opportunity escalator,' repairing the social and economic fabric, and significantly enhancing youth welfare and prospects across the UK.
3. <https://www.reuters.com/world/uk/britain-allocate-116-billion-rd-spending-plan-2025-06-07/> - British Finance Minister Rachel Reeves is set to allocate £86 billion ($116 billion) for research and development (R&D) in the upcoming spending review, according to the Department for Science, Innovation and Technology (DSIT). This funding, which will support projects ranging from advanced drug treatments and durable batteries to artificial intelligence, is projected to exceed £22.5 billion annually by 2029/30. The initiative aims to stimulate job creation and economic growth. The R&D investment is part of a broader redistribution of over £2 trillion ($2.7 trillion) in public funds, marking a crucial step in shaping the Labour government's agenda for the next four years. This announcement follows Reeves’ prior commitment of £15.6 billion for local transportation initiatives in Northern England, the Midlands, and the South West.
4. <https://www.ft.com/content/ca28a2ea-1bf0-44c0-b127-56339284e48d> - Labour MPs are supporting a proposal by the think-tank Labour Together for a universal digital identity credential, termed the 'BritCard', aimed at individuals seeking employment or housing in the UK. This initiative is presented as a tool to enhance immigration enforcement, simplify existing landlord and employer checks, and improve access to public services. The BritCard would be mandatory for all legal residents and workers, using existing data without a centralised database or physical card. Instead, it would be a digital credential downloaded to smartphones and verified via an app. The system could cost up to £400 million to implement, with yearly maintenance of £5-10 million, and begin rollout by 2028 under a 'test and learn' phase. While Home Secretary Yvette Cooper remained non-committal about a universal scheme, Labour Together claims public attitudes have shifted since the Blair-era ID proposal, which was scrapped in 2010. The plan promises to streamline government service access, combat benefits fraud, and avoid future immigration scandals like Windrush. However, concerns remain about potential exclusion and fairness for those unable to obtain the ID, necessitating oversight and appeal mechanisms. This digital proposal stands apart from ongoing governmental efforts like the GOV.UK digital wallet.
5. <https://www.ft.com/content/47947223-7b91-47c9-956f-c22115dc7e22> - A new UK strategic defence review recommends an investment of approximately £68 billion to modernize its military in the face of evolving global threats and technological advancements. The review outlines plans to enhance the armed forces with drones, autonomous vehicles, AI, and advanced weaponry while maintaining traditional capabilities such as nuclear warheads, submarines, and fighter jets. It proposes significant expenditures, including £15 billion on nuclear warheads, development of up to 12 Aukus submarines, and procurement of F-35 and GCAP sixth-generation fighters. The government has pledged to raise defence spending from 2.3% to 2.5% of GDP by 2027, with a longer-term goal of reaching 3%, though no firm timeline has been set. The review emphasizes digital capabilities and learning from Ukraine’s recent warfare experiences, aiming to dramatically increase the army’s lethality without expanding troop numbers. Accepted by the government, the 62 recommendations could challenge public investment in other sectors. Analysts warn that further fiscal trade-offs may be required to meet the ambitious defence spending targets.
6. <https://www.reuters.com/sustainability/boards-policy-regulation/policywatch-uk-says-ai-will-super-charge-economy-will-it-scupper-net-zero-2025-01-23/> - The UK aims to leverage artificial intelligence (AI) to stimulate its economy while maintaining its net-zero emissions goal. Prime Minister Keir Starmer's plan includes creating 'AI growth zones,' boosting public computing power, forming an AI Energy Council, and proposing the development of small modular nuclear reactors to meet AI's energy demands. This initiative, led by entrepreneur Matt Clifford, also emphasizes skills development and creating a National Data Library. The government predicts using AI and digital tools could boost public-sector productivity and save £45 billion. However, increased energy demands from data centers and AI could outpace the growth of renewable energy capacity. Solutions proposed include localizing data centers near renewable sources and leveraging thermal storage. The plan envisions AI assisting in bringing more renewables online and improving industrial energy efficiency. Still, balancing AI's substantial energy requirements with sustainability remains a key challenge. Industry experts suggest fostering collaboration, lateral thinking, and efficient use of computing power to achieve both economic and environmental goals.
7. <https://www.ft.com/content/b02ba1bd-1075-4703-9b7d-800e2efa4513> - Keir Starmer has unveiled an AI Opportunities Action Plan to position the UK as a leading AI superpower. The plan, authored by venture capitalist Matt Clifford, includes 50 recommendations aimed at integrating AI across public and private sectors for economic growth and cost reduction. Key initiatives involve granting AI companies access to anonymized NHS data, establishing a national data library, and increasing government-owned computing power twentyfold. Despite ambitious plans, there are significant challenges, such as ensuring the necessary energy supply for data centers, maintaining stringent data privacy safeguards, and addressing public concerns over data governance. The government plans to create special AI growth zones for better energy grid access and attract investments like Nscale's £2bn AI data center project. However, experts warn that the AI infrastructure and necessary governance may take years to develop, and the immediate economic boost is not guaranteed.