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Sovereign AI R&D Procurement

The Sovereign AI Fund supports the UK's best founders to build a new generation of globally leading AI companies. We do this through an integrated offer: equity investment alongside government procurement, compute access, R&D grants, talent visas, and regulatory support.

The Sovereign AI Research and Development (R&D) Procurement Scheme procures novel AI capabilities that address government challenges and deliver public benefit - advancing the Sovereign AI Fund's mission to build sovereign capability across its focus areas and grow strategically important AI companies in the UK.

The Scheme is challenge-led; we want you to build new AI capabilities which respond to challenges set by Government with the potential to be widely commercialised. Companies will work in partnership with public sector users, establishing a direct supplier-customer relationship.

Overview

What we fund: We are procuring the development of novel AI capabilities that address challenges set by government and result in public benefit. See our initial challenges below.

Contract size: The minimum contract value is £250,000 and the maximum is £10 million per project. We welcome projects of different sizes, and we anticipate that most contracts will be around £1 million to 3 million. Up to £100 million is allocated across the lifetime of the Scheme.

Who Should Apply: UK-registered startups and small-to-medium enterprises building UK-based AI capabilities. (Companies that have already received equity investment from the Sovereign AI Fund are eligible to apply but this will not confer any advantage in the competition).

The Application Process:

- **Approved Supplier List**: An initial assessment to check you meet the Scheme's eligibility criteria. Submit this quick form to be approved to participate in the Scheme.
- **Full Application:** Once approved, submit your project proposal which addresses one of our challenges. This will be assessed against the criteria published below.

Competition Dates

Proposals are assessed in competition batches every two months. Once you are an Approved Supplier, you can submit your Full Application at any time, and it will be assessed after the next competition deadline. You will receive an outcome within one month of the deadline.

The dates for this financial year are:

Batch 1: Submit your proposal by **16 October 2026** to receive an outcome on 13 November 2026.

Batch 2: Submit your proposal by **31 December 2026** to receive an outcome on 29 January 2027.

Batch 3: Submit your proposal by **26 February 2027** to receive an outcome on 31 March 2027.

Challenges

Your proposal must address one of the following challenges. We have four initial challenges and will introduce new challenges over the lifetime of the Scheme and may remove previously funded challenges. Any new challenges will be communicated through this webpage.

Challenges	Challenge-owner
Challenge 1: AI for a more productive NHS – Build systems that unlock NHS productivity at scale, whether automating workflows, coordinating care, or supporting decision-making across services. Reduce cost, free capacity, and improve staff experience while delivering measurable system-wide efficiency gains, aligned to the ambition of the NHS 10 Year Health Plan.	Department of Health and Social Care (DHSC)
Challenge 2: Integrate AI at pace across Defence mission environments – Develop open, secure, and modular-by-design AI capabilities that can operate on platform, in the field, and by dismounted forces in close combat. Defence's competitive edge is defined by its ability to integrate emerging technologies at speed, with a high tolerance for the rapid employment of low-TRL technologies. Defence operates concurrently from enterprise to edge, across disconnected and distributed environments at every classification, but has critical gaps in edge AI deployment now.	Ministry of Defence (MOD)
Challenge 3: Increase compute efficiency – Drive efficiency and effectiveness in public compute infrastructure, to help deliver expansion of the AI Research Resource (AIRR), through trialling and deploying novel hardware or software supporting compute efficiency and heterogeneous systems development.	Department for Business, Innovation, Science and Trade (BIST) & ARIA Scaling Inference Lab (SIL)
Challenge 4: Enabling safe AI agent adoption – Produce an evidence-based, operational, and ideally automated risk management approach for CISOs to support risk-based decision-	National Cyber Security Centre (NCSC)

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making for specific agents in specific contexts. The risk management approach should include both resilience and cyber security risks. Alternatively, or in addition, develop an evidence-based approach to reducing operational risk of specific agents through architecture, monitoring, and controls, while supporting agentic adoption and innovation at pace. Solutions that support wide-scale adoption, such as those built on open-source frameworks, will be preferred.	

Designed for startups and SMEs

The Sovereign AI R&D Procurement Scheme is deliberately designed to enable innovative startups and SMEs to participate in government procurement. We have reduced some of the common barriers that startups and SMEs face when competing for government contracts.

The Scheme offers:

- No minimum annual turnover, trading history, net assets, or cash reserves requirements.
- A streamlined, low-burden application process.
- Supplier ownership of intellectual property and no exclusivity requirements.
- Prompt payment arrangements and simple contracting.
- Upfront payments for eligible suppliers, where justified to support the participation of cash flow constrained startups.

Suppliers retain ownership of all their Background IP and the Foreground IP created during the project, with government granted a licence to use the outputs, data, and results for public sector purposes (this will be set out in the contract). Suppliers are encouraged to commercialise their capabilities.

Eligibility

To be eligible for this Scheme:

- The proposal must address one of the Scheme's current challenges.
- The lead applicant must be a UK-registered company.
- The project must be located in the UK.
- Project proposals must be between £250,000 and £10 million.
- The proposal must seek funding only for eligible activities and expenditure (defined below).
- The project activity and payment claims must be completed by 31 March 2030.

Research & Development

The R&D Procurement Scheme funds the design, development, testing, and demonstration of novel AI capabilities that address challenges set by Government. We focus on pre-commercial research and development, particularly Technology Readiness Levels 4-8.

The Scheme operates under the R&D services exemption in the Procurement Act 2023 (more information can be found here - Guidance: Exempted Contracts (HTML) - GOV.UK). A R&D services contract is defined in Schedule 2 Para 22(1) as follows:

- the contract is for the provision of R&D services;
- the services are intended by the authority to be for, or to result in, benefit to the public;
- the contract is not also for provision of goods or works.

You must ensure that any proposals submitted to the Scheme constitute R&D in accordance with Para 22 Schedule 2 of the Procurement Act 2023 or they will not be eligible. This includes, for example, solution exploration and design, prototyping, demonstrating, piloting, testing and validation of the product or service. Further guidance on what constitutes R&D can be found here – Categories of Research & Development.

You must also ensure your project proposal complies with Paragraph 7 Schedule 2 of the Procurement Act 2023, that the goods, services, or works representing the main purpose of the contract could not reasonably be supplied under a separate contract.

How to Apply

Stage 1 – Approved Supplier List

Companies may apply to join the Approved Supplier List at any time by completing our Expression of Interest (EOI) form on the Sovereign AI website. Applications are assessed on a pass/fail basis to confirm eligibility and alignment with the objectives of the Scheme.

We aim to review EOIs and provide an outcome within two weeks of submission. To ensure sufficient time for assessment and onboarding, companies should submit their EOI at least two weeks before the any competition deadline they are intending to apply to. Applications received later may not be reviewed in time to participate in the next competition batch.

If your EOI is successful and you pass due diligence screening, you will be invited to join the Approved Supplier List. The Sovereign AI Fund may also request additional information or evidence where necessary to support the assessment process.

Submit an Expression of Interest on the Sovereign AI Fund website: https://www.sovereignai.gov.uk

What we check:

- Whether your work aligns with the Sovereign AI Focus Areas (these are described in more detail in the EOI form):
    1. Compute & Infrastructure
    2. Foundational Models
    3. AI in Health & Life Sciences
    4. AI for Scientific Discovery
    5. AI Trust, Safety & Assurance
    6. Defence & National Security
- Whether the applicant is a UK-registered business.
- Confirmation that any project proposal you put forward would take place in the UK.

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- Confirming your understanding that this is a research and development scheme and proposals must constitute R&D.
- Whether initial due diligence checks on the lead applicant identifies any material issues that could prevent the application from proceeding.

Post-Qualification Supplier Briefing Sessions

If approved for the Approved Supplier List, you will be invited to attend a supplier briefing session hosted by the Sovereign AI Fund. These sessions are designed to support supplier readiness ahead of future challenge competitions and provide an opportunity for approved suppliers to better understand the scheme and its objectives.

The briefings may cover:

- **Scheme Overview**: Guidance on the competition process, competition batches, eligible R&D costs, and intellectual property terms.
- **Challenge Context**: An overview of published challenges, government priorities, and the operational contexts in which solutions may be deployed.
- **Data and Technical Environments**: Information on anticipated deployment considerations, data, and relevant security requirements.
- **Questions and Answers**: An opportunity for suppliers to ask questions about the scheme and the challenges.

Attendance at supplier briefing sessions is optional and does not form part of the assessment process. Choosing not to attend will have no impact on a supplier's eligibility or evaluation scores. The purpose of these sessions is to provide general information about the Scheme and answer questions. The Sovereign AI Fund and challenge-owners will not review draft proposals, provide bid-writing support, or discuss suppliers' proposed solutions.

Stage 2 – Full Application

Following admission to the Approved Supplier List, applicants can submit a proposal against any of our live competition challenges. Applicants will be invited to submit their Full Application on Flexigrant, an application portal which contains detailed instructions on the assessment questions and information required at the Full Application stage.

Due Diligence Check –Creditsafe ‘know your customer’ due diligence checks will be conducted on the lead applicant and all subcontractors involved. Where the due diligence process identifies material risks, concerns, or deficiencies, applicants may be invited to provide additional information or take corrective action. Applications will only progress to the Full Application assessment stage where the Authority is satisfied that the due diligence requirements have been met. Failure to satisfactorily address any identified concerns may result in the application being excluded from further consideration.

How full applications are assessed

Stage 2 is the detailed assessment stage. At this stage, applications are assessed against the published criteria set out below.

Technical Assessment Panel – Technical assessors will assess the following:

1. **Technical Approach** – Assessors will consider the extent to which the proposal is technically credible, sufficiently specified, and genuinely innovative.

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2. **Delivery Plan & Team** – Assessors will consider the extent to which the proposal is realistically deliverable within the proposed timeframe, supported by a capable delivery team, and able to manage technical, regulatory, security, or privacy risks.

Sovereign AI Fund Assessment – The Sovereign AI Fund, alongside the relevant government challenge-owner will assess the following:

3. **Impact -** Assessors will consider whether the proposal will enable capabilities or applications which result in meaningful benefits aligned with government priorities and whether it is commercially viable.
4. **Value for Money -** Assessors will consider whether the project represents value for money for the taxpayer, whether costs are reasonable, proportionate, and justified, and whether there is a proportionate relationship between the requested funding and the expected benefits.

Each of these criteria is scored out of 5. To progress to stage 3, an application must score 4 or higher in each criterion using the following scale:

- **1 – Very weak/not evidenced:** Fails to meet requirements; significant gaps, weaknesses or risks.
- **2 – Weak:** addresses some requirements, but substantial gaps, weaknesses or risks remain.
- **3 – Below threshold:** shows some merit but does not meet the standard required to progress.
- **4 – Strong:** meets the standard required to progress; credible, well-evidenced and deliverable, with manageable risks.
- **5 – Excellent:** exceeds the standard required to progress; highly credible, well-evidenced and compelling, with very limited weaknesses or risks.

Strategic Fit & Social Value assessment and final decision

Proposals that meet the Stage 2 assessment thresholds will move to the final decision stage. The Investment Committee will score the Strategic Fit & Social Value criterion and make the final contract award decisions. The Investment Committee comprises the Sovereign AI Fund’s Managing Partner, Investment Partners, the Fund’s Senior Responsible Owner, the Fund’s Deputy Director, and the Fund’s Head of R&D Schemes. The Investment Committee will score Strategic Fit & Social Value criterion using the same 1–5 scoring methodology set out for the Stage 2 assessment.

In scoring Strategic Fit & Social Value, the Investment Committee will consider the extent to which the proposal:

- Aligns with the Sovereign AI Fund’s focus areas and strengthens UK sovereign AI capabilities.
- Benefits UK AI firms and the wider UK AI ecosystem that the Fund is intended to support.
- Delivers economic value in the UK.

The Investment Committee will also consider wider portfolio-level factors when making contract award decisions, including:

- The balance of projects funded across Sovereign AI focus areas and each challenge.
- The balance of risk within the portfolio of funded projects.
- The remaining budget available.

- The contribution of the proposal to developing a strategically coherent portfolio.

Subject to further approvals, the Investment Committee may decide to:

- Approve the contract
- Approve the contract subject to conditions (such as adjustments to eligible costs)
- Decide not to award a contract
- Invite the supplier to re-submit their proposal in a future competition batch, where it meets the assessment thresholds and is judged fundable in principle but cannot be funded at that point in time due to remaining budget for the financial year.

What Happens After a Contract is Awarded?

Successful applicants will be issued the Sovereign AI R&D Procurement Scheme Contract, and the project schedule, milestones, and payments will be discussed and agreed with the Sovereign AI Fund. By submitting a Full Application, applicants acknowledge that any contract awarded will be based on the Sovereign AI R&D Procurement Scheme Contract. Any proposed amendments will be subject to the Sovereign AI Fund's written agreement. Material changes to the contract will go through a formal change process outlined in the contract and will require approval. Projects will be expected to start as soon as reasonably practicable after contract award.

Eligible Costs

All costs quoted must reflect actual costs at a fair market value and not include profit.

Directly incurred costs - These are costs specific to the project. They are charged to the project as the amount actually spent. They must be fully supported by evidence accompanying each claim. They include:

- labour costs for all those contributing to the project broken down by individual
- material costs (including consumables specific to the project)
- capital equipment costs
- subcontracting costs
- travel and subsistence (where clearly justified and costed)
- other costs specifically attributed to the project.

Overhead costs - Overhead costs should be charged only in proportion to the amount of effort deployed on the project. Calculate them using your own cost rates. If including overhead costs you must provide a method of calculation. They can include:

- general office and basic laboratory consumables
- library services or learning resources
- administrative tasks
- finance, personnel, and departmental services
- central and distributed computing
- cost of capital employed.

Costs that are considered unreasonable will be rejected.

You will be asked to provide an itemisation of costs and methods of calculation to support your application at the Full Application stage.

Full economic cost calculations (FEC) are not relevant in this context.

This Scheme is a competitive procurement mechanism. Whatever calculation you use to arrive at your tender price, your application is assessed against bids from other organisations. You should bear this in mind when calculating your tender price. The assessors will judge value for money and whether it reflects a fair market value. You are entitled to include overheads but remember that this is a competitive tender.

VAT - Applicants must confirm their VAT status as part of the application process. All costs submitted should be exclusive of VAT, where applicable. VAT will be applied separately in accordance with the application system requirements. Applicants are responsible for ensuring VAT is calculated correctly, as errors may affect the eligibility of an application.

Subcontracting - Contracts will be awarded to a single legal entity only. You can work alone or with other organisations as subcontractors. No more than 50% of the work can be subcontracted.

Ineligible costs – We won't fund:

- Ongoing business-as-usual operating costs
- Activity that doesn't directly contribute to the project
- Retrospective costs incurred before the contract is signed by both parties

Upfront Payments

Applicants will be required to propose project milestones as part of their Full Application. As a default position, payments will be made in arrears against completed and accepted milestones. Applicants should therefore ensure they have sufficient working capital to manage project delivery and any subcontracting arrangements between payment periods.

Where a micro or small business is cashflow constrained, the Sovereign AI Fund may consider upfront payments to help cover mobilisation costs that must be incurred before the first milestone deliverable. You can submit a request for upfront payments as part of your Full Application. You will need to submit a clear justification and evidence of your financial need for upfront payments which will be scrutinised and verified through financial due diligence. We will not approve upfront payments for companies that have the capital to cover the costs themselves.

The Sovereign AI Fund reserves the right to reject any request for upfront payment arrangements and require delivery under the standard payment-in-arrears model.

FAQs

Can universities and research organisations apply? Universities and research organisations cannot apply to the Scheme as a lead applicant but can be involved in projects funded under the Scheme as a subcontractor.

Can non-UK organisations take part? The lead applicant must be a UK-registered company, and the project must take place in the UK. Foreign organisations can be involved in projects funded under the Scheme as subcontractors.

Can I apply if I've received Sovereign AI equity investment? Yes. But investee status will not confer any advantage in the competition. Assessment is based on the published assessment criteria.

Is there a preference for smaller or larger bids? Since the Scheme is intended to fund pre-commercial prototypes, we anticipate that most contracts will be in the range of £1 million to £3 million. The Scheme has been designed to accommodate larger compute and infrastructure-focused projects that have higher evidenced costs. However, we are also interested in supporting smaller-scale projects which address a specific element of each challenge. Bids must reflect actual costs at a fair market value, and you should remember that this is a competitive tender that is assessed on value for money.

Can multiple projects be funded against the same challenge? Yes. We are interested in developing a range of different solutions to address key challenges with a view to inform separate future procurement activity by the relevant challenge-owning departments, but no such procurement is guaranteed.

Will the scheme give me direct access to the end users? The relevant challenge-owning department is expected to support each funded project, including by contributing relevant operational context and engaging with the supplier during delivery. The precise form and level of engagement will depend on the challenge.

Conditions

Re-applying

Unsuccessful applicants are welcome to apply to the Scheme again in the future. However, any further EOI or Full Application must either be materially different from the original submission, or clearly address the reasons previously given for non-progression or failure at due diligence. The Sovereign AI Fund reserves the right to determine whether a resubmission constitutes a materially different proposal and to reject non-compliant or duplicate applications without further assessment.

This requirement does not apply where an applicant was invited to re-submit a proposal because it met the assessment thresholds and was considered fundable in principle but could not be funded due to budget availability.

No Obligation to Award

Participation in the Sovereign AI R&D Procurement Scheme does not guarantee an invitation to tender, progression through any stage of the procurement process, or the award of a contract.

The Sovereign AI Fund reserves the right to award contracts in whole or in part, make no award, discontinue a challenge, or withdraw a procurement opportunity at any stage of the process.

The Sovereign AI Fund reserves the right not to award a contract where due diligence checks identify material risks, concerns, or issues that, in the Sovereign AI Fund’s reasonable opinion, could affect an applicant’s suitability, capability, financial standing, or ability to successfully deliver the proposed work.

Right to Amend or Cancel

The Sovereign AI Fund reserves the right, at any time and without liability, to:

- amend the procurement process, timetable or documentation;
- request additional information or clarification;
- change the scope, requirements, budget or duration of a project;
- suspend, withdraw or terminate a procurement activity; or
- cancel a procurement opportunity without making an award.

Any changes will be updated via this page and suppliers on the ‘Approved Supplier List’ will be notified via email. Further information relating to individual challenge requirements will be issued to suppliers on the Approved Supplier List.

The Sovereign AI Fund reserves the right to award one or more contracts in respect of any challenge statement, or to make no award, where proposals do not meet the required quality threshold, value for money requirements, or strategic objectives of the Scheme.

Costs and Expenses

Companies participate in the application process entirely at their own cost. The Contracting Authority will not reimburse any costs, expenses or losses incurred in preparing or submitting applications, bids, proposals or supporting information, or in participating in any assessment, due diligence or competition process.

Clarifications

The Sovereign AI Fund may, but is under no obligation to, seek clarification of any aspect of an application or tender submission.

Companies should not assume that an opportunity to clarify or correct omissions will be provided. Applications may be rejected where required information is not submitted by the relevant deadline.

Project Feasibility and Access to Data

Companies are responsible for satisfying themselves that they can deliver the proposed work and should not rely upon assumptions regarding future access to data, infrastructure, facilities, systems, approvals or information unless expressly confirmed by the Sovereign AI Fund.

Where access to datasets, systems, facilities or third-party assets becomes unavailable, delayed or restricted for reasons beyond the Sovereign AI Fund's reasonable control, the Sovereign AI Fund reserves the right to amend, suspend or terminate the procurement or proposed project without liability for company bid preparation costs.

Transparency and Information Disclosure

Suppliers should be aware that Department for Business, Innovation, Science and Trade (BIST) is subject to transparency obligations, including the Freedom of Information Act 2000 and other applicable disclosure requirements.

Whilst the Sovereign AI Fund will consider requests for confidentiality, information submitted as part of the procurement process may be disclosed where required by law.

If an application is successful, BIST may publish the name of the applicant organisation, the project name and the amount of funding awarded, in line with standard transparency requirements.

Non-Collusion and Fair Competition

By participating in the Scheme, suppliers confirm that they have prepared their submissions independently and have not engaged in any activity that distorts competition, including collusion, bid-rigging, canvassing or inappropriate influence.

The Sovereign AI Fund reserves the right to exclude any Supplier where evidence of anti-competitive behaviour is identified.

Changes to challenges

The Sovereign AI Fund reserves the right, at its sole discretion, to amend, modify, remove, replace or introduce challenge statements at any point during the lifetime of the Scheme. Publication of a challenge statement does not constitute a commitment by the Sovereign AI Fund to award a contract in relation to that challenge.

Applicants should therefore not assume that challenges included in one batch will remain unchanged for future batches. The Sovereign AI Fund reserves the right to determine the timing, scope and content of all future challenge competitions.