Corporate Policy Committee

20 March 2025

Artificial Intelligence (AI) Deployment

Report of: Adele Taylor, Interim Executive Director of Resources and S151 Officer

Report Reference No: CPC/57/24-25

Ward(s) Affected: All

For Decision or Scrutiny: Decision

Purpose of Report

1   The purpose of this report is to ask the Corporate Policy Committee to agree to the commission and subsequent award of a contract for the deployment of an Artificial Intelligence (AI) platform and framework. There is an imperative need to enhance the Council's digital capabilities and address the pressing demographic and financial challenges it faces. The Digital Acceleration Programme is designed to modernise the Council's operations, improve service delivery, and ensure long-term sustainability. By deploying AI, the Council will be better positioned to meet the evolving needs of its residents and stakeholders.

Executive Summary

2.   The Digital Acceleration Programme, which sits within the Transformation Programme Digital workstream, is specifically designed to address the demographic and financial challenges that Cheshire East is currently facing:

2.1   **Demographic Challenges**: The programme includes targeted initiatives to improve accessibility and inclusivity, ensuring that all residents, regardless of age, ability, or background, can benefit from the Council's services. This addresses the demographic shifts and diverse needs of the community.

2.2   **Financial Challenges**: By implementing cost-saving measures and optimising resource allocation, the programme aims to mitigate the

financial pressures faced by the Council. This includes reducing operational costs, improving financial management, and ensuring the long-term sustainability of the Council's operations.

3.   As part of these initiatives, the Programme aims to maximise the use of digital opportunities available through emerging AI technologies to provide end-to-end service improvement and efficiencies. An initial AI assessment has identified high-impact use cases across Cheshire East Operations including adult social care, children's services, and customer service delivery; with projected financial benefits of £40 to £60 million over a three-year period. The programme includes the following drivers:

3.1   **Need for Change**: The economic climate has worsened, necessitating accelerated digital transformation to drive efficiencies.

3.2   **Vision**: The digital programme aims to provide end-to-end service improvement and efficiencies through emerging technologies like AI and robotics

3.3   **Savings and Revenue**: Automation-led efficiency savings, reduced manual processing, and improved debt management are expected to generate significant savings.

4.   The initiatives will be developed to enhance service delivery across various council services through documented high level business cases (HLBCs). This may involve the deployment of AI solutions to handle initial enquiries, conduct preliminary assessments, and support professional decision-making. Key areas of focus include:

4.1   **Customer Service Delivery**: An AI CoPilot system provides round-the-clock support in multiple languages, handling routine enquiries and guiding citizens to appropriate Council services. This reduces Contact Centre volumes and improves service consistency.

4.2   **Adult Social Care**: AI solutions to streamline care needs evaluations and support planning, reducing administrative backlogs and improving data accuracy. They also optimise financial assessments, ensuring accurate charging and proper benefit entitlement.

4.3   **Children's Services**: AI-supported workflows to enhance the Educational Health and Care Plan (ECPH) process, improving the quality of support planning and reducing waiting times for families. The workflows also help identify cost-effective support packages, reducing reliance on expensive residential placements.

5.   These areas align with the Council's Corporate Plan and its vision of "enabling prosperity and wellbeing for all in Cheshire East." They will assist in delivering the Council's stated commitments of:

5.1   Unlocking prosperity for all

5.2   **Improving health and wellbeing**

5.3   An effective and enabling council.

These initiatives will continue to help the Council achieve its ambitions to be an open and enabling organisation, one that empowers and cares about people, and one that creates a thriving and sustainable place to live and work.

6.   The HLBCs will document solutions, options, and financial implications. They are expected to generate significant financial benefits, contributing to the Council's approved budget and Medium-Term Financial Strategy (MTFS 2025-29), with projected financial benefits of £40 to £60 million over a five-year period and £12 to £14 million pa ongoing from year 3 onwards.

7.   The Digital Acceleration Programme requires the procurement of a third-party provider over an initial three-year contract period (plus two, one-year extensions) using the Crown Commercial Services Framework GCloud 14, to assist Cheshire East in the design, delivery and set-up of the AI Platform and Framework.

RECOMMENDATIONS

It is recommended that Corporate Policy Committee:

1.   Approve the commission of a contract to support the design, delivery, and setup of an AI Platform and Framework within Cheshire East Council; and,

2.   Delegate authority to the Director of Digital of Cheshire East Borough Council to award a contract to the successful bidder following the competitive procurement process.

Background

8.   The Council faces significant demographic and financial challenges, including increasing demand for social care services and a projected £100 million budget gap over four years. The AI transformation and Digital Acceleration Programme aims to address these challenges by leveraging AI and robotics capabilities to enhance service delivery and drive efficiencies.

9.   The latest estimates indicate that the Council serves approximately 407,000 residents, with notable demographic variances across different areas. For instance, Crewe has a higher proportion of under-16s compared to the Cheshire East average, while rural areas have a larger older population. These demographic differences influence local deprivation levels and create unique challenges for council and partner services, particularly in terms of transport, social care, and health.

10.   The Council has been wrestling with increasing demand for adult and children's social care services, which has contributed to a projected £100

million budget gap over four years. In December 2024, the Council forecasted a £26 million overspend. The introduction of AI capabilities will significantly help in the Council ambition to manage and reduce any potential overspend.

11. The Adult Social Care directorate, which makes up approximately 62% of the overall council budget, faces significant challenges. Over 4,600 people are awaiting some form of intervention, and new case contacts have increased from 900 to 1,100 over the last year. The directorate has also seen a steady increase in the number of people over 65 being admitted to residential and nursing care, creating budgetary pressures. Despite these challenges, there have been improvements in reablement, with 72% of those who received support no longer requiring ongoing care.

12. Children's services have also faced pressures, Budgetary constraints have exacerbated these challenges, and there are areas where AI could assist, such as social work practice and care plans. The council is also dealing with a significant increase in Educational Health and Care Plan (EHCP) requests, which have doubled in six months.

13. In response to these challenges, Cheshire East Council has embarked on a comprehensive AI transformation and digital acceleration programme. This initiative aims to leverage AI and robotics capabilities to enhance service delivery, drive efficiencies, and address the council's financial and demographic challenges.

14. The programme methodology, governed by the Digital Steering Board, involves a phased implementation approach, starting with high-impact, lower-risk modules, and aims to generate financial benefits of £40 to £60 million over three years. The key financial benefits include:
    14.1 **Cost Savings**: The AI solutions are expected to streamline various council services, reducing administrative backlogs, and improving data accuracy. This will lead to cost savings in areas such as customer service, adult social care, and children's services. For example, the AI Copilot system will handle routine enquiries, reducing contact centre volumes and associated costs.
    14.2 **Efficiency Gains**: AI-supported workflows will enhance the efficiency of service delivery, reducing the time and resources required for tasks such as care needs evaluations and support planning. This will result in efficiency gains and cost reductions across multiple council services.
    14.3 **Financial Benefits Realisation**: The AI transformation programme is projected to deliver between £40 to £60 million in total benefits over five years. These benefits will be realised through improved service delivery, reduced costs, and enhanced operational efficiency.

15. Therefore, the combined financial benefits of digital acceleration are expected to have a positive impact on the Council's budget and Medium-Term Financial

Strategy (MTFS). The programme will ensure that Cheshire East Council can meet the evolving needs of its residents while maintaining financial stability. Key financial outcomes include:

15.1 **Automation-Led Efficiency Savings**: The programme will leverage automation to reduce manual processing and improve operational efficiency. This will result in significant cost savings across various council services.

15.2 **Reduced Manual Processing**: By automating routine tasks and processes, the programme will reduce the need for manual intervention, leading to cost savings and improved efficiency.

15.3 **Improved Debt Management**: The digital acceleration programme will enhance debt management processes, leading to better revenue collection and reduced financial losses.

15.4 **Benefit Realisation**: The programme is forecast to enable £12 million per annum plus in benefit realisation through automation-led efficiency savings, reduced manual processing, and improved debt management.

16. The programme additionally supports the Council's Corporate Plan by putting customer considerations at the centre of service delivery. The programme focuses on improving digital customer experience, enhancing data availability, and driving efficiencies through automated processes.

17. Overall, the digital acceleration initiatives are essential for the Council to meet its strategic objectives, improve service delivery, and achieve financial sustainability.

Consultation and Engagement

18. The Council engaged in a comprehensive AI transformation assessment, demonstrating remarkable enthusiasm and commitment throughout the process.

19. The assessment comprised seventeen workshops totalling over 20 hours of engagement, with the majority conducted face to-face at the council's offices. This in-person approach proved particularly beneficial, fostering open dialogue, and enabling deeper exploration of service challenges and opportunities. To enhance these discussions, we demonstrated various AI tools during the workshops, which helped make the potential of AI more tangible and led to more focused and productive conversations about practical applications.

20. The workshops comprehensively covered Adult Social Care and wider council services and staff, with Children's Services workshops planned to follow an Ofsted inspection. The face-to-face format allowed for immediate clarification of questions and concerns, while the AI demonstrations helped stakeholders

envision how the technology could transform their specific service areas. This hands-on approach was instrumental in building confidence and excitement about the potential AI transformation.

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21. There will be further assessments as part of the detailed design and delivery process and consultation regarding transformation and changes in working practices during this process.

Reasons for Recommendations

22. Digital Acceleration will accelerate and maximise the use of digital opportunities to provide end-to-end service improvement and efficiencies using emerging technologies such as Artificial Intelligence (AI) through the development of collaborative high level business cases with service areas.

23. It is an 'invest to save' initiative which is forecast to enable £14 million per annum in benefit realisation, facilitated by the acceleration of digitally enabled solutions which in turn will support the Councils short medium and long term financial and quality challenges.

24. It will also present the Council with the platform and opportunity to move forward with its ongoing continuous improvement and transformational objectives once the short/medium term financial challenges have subsided.

25. Assist in meeting the aims of Council's Corporate Plan 2021-25. An Open and Enabling Organisation, A Council Which Empowers and Cares About People and A Thriving and Sustainable Place

Other Options Considered

26. Cheshire East has explored various options to enhance end-to-end service improvement and efficiency to address its current demographic and financial challenges. These options included traditional system automation, integration, and business process re-engineering. However, they were ultimately dismissed due to their higher costs, longer timelines, and ongoing change management requirement.

27. Do nothing (i.e. continue with status quo). This option was discounted. If digital continues to be delivered on an ad-hoc basis with no overall co-ordination or acceleration option, this will result in slow adoption of digital to underpin transformation and significant delays in the benefits being realised.

Implications and Comments

Monitoring Officer/Legal

28. The AI transformation and Digital Acceleration Programme must comply with data protection and ethical AI guidelines. This includes ensuring that all AI

systems and processes adhere to the General Data Protection Regulation (GDPR) and other relevant data protection laws. Additionally, the programme must follow ethical AI principles, such as transparency, accountability, and fairness, to prevent any potential misuse or bias in AI decision-making.

29.   Legal implications also involve ensuring that contracts with AI vendors include clauses that protect the council's interests and data security. It is proposed to use GCloud 14 to award a contract under Lot:2 of the supplier's offering subject to fulfilment of CEC's specific requirements.

Section 151 Officer/Finance

30.   The Council's approved budget and Medium-Term Financial Strategy (MTFS) includes significant transformation savings of £28.85 million from Digital over the next three years. This figure encompasses savings from digital customer enablement, digital acceleration, and the digital blueprint. Specifically, the Digital Acceleration Programme accounts for £12.1 million of these savings, which are permanent and incremental.

31.   To enable delivery of the savings the MTFS includes:
   31.1   Automation-Led Efficiency Savings: The programme will leverage automation to reduce manual processing and improve operational efficiency. This will result in significant cost savings across various council services.
   31.2   New capital investment of £10.8 million of which £4.25 million is required for Digital Acceleration, will be funded through prudential borrowing when the Council is under pressure to reduce the level of prudential borrowing.

32.   Therefore, it is essential that the savings are delivered in full to avoid further challenges to the Council's overall financial position.

33.   At this point in time, the allocation of the savings has not been agreed with directorates. It would be advisable to ensure that the exercise is completed before the start of the new financial year to assist with delivery.

34.   It would be helpful to understand the link between elements of the investment and the potential savings in terms of likely phasing of costs and expected return.

35.   It is understood that contracts will only be placed with supplier after benefit realisation targets have been agreed with the affected business areas and the budgets implications for the year adjusted accordingly.

Equality, Diversity, and Inclusion

36   The digital AI initiatives must and will consider the equality implications to ensure that all residents have equal access to digital services. An Equality Impact Assessment has completed to ensure the programme's recommendations do not adversely impact any groups. Going forward the AI initiatives must consider the diverse needs of all residents, including those

with disabilities, different ethnic backgrounds, and varying socio-economic statuses.

37   The programme will promote inclusivity by ensuring that digital services are accessible to all and do not create barriers for any specific group. It should be noted that the initial AI assessments highlight the potential of AI to improve service delivery across various departments, including Adult Social Care and Children's Services.

Human Resources

38   The digital AI transformation initiatives will have significant implications for the Council's workforce with the potential for AI to streamline processes and reduce administrative burdens.

39   The programme will require staff training and development to leverage AI capabilities effectively. This includes providing training on new AI tools and systems, as well as developing skills in data analysis, digital service delivery, and change management.

40   The transformation element will necessitate support for staff to adapt to new ways of working and ensuring that they are equipped to use AI and digital technologies effectively. Which highlights the importance of a co-ordinated approach to digital delivery and the need for an effective governance and operating model.

Risk Management

41   The digital transformation initiatives involve several risks, including data security, compliance with regulations, and potential resistance to change from staff.

42   The programme will include robust risk management strategies to address potential challenges and ensure successful implementation.

43   The council has an established and comprehensive risk management framework that includes regular monitoring, reporting, and contingency planning to address any issues that may arise during the transformation process.

Rural Communities

44   The programme will consider the unique needs of rural communities and ensure that all residents have equal access to digital services. This includes addressing challenges related to digital connectivity, access to services, and transportation. The AI and digital transformation initiatives should aim to provide improved digital services that are accessible to residents in rural areas, ensuring that they receive the same level of service and support as those in urban areas.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

45   Digital transformation will have significant implications for children and young people, including those with special educational needs and disabilities. The programme aims to improve service delivery for children and young people, including those with special educational needs and disabilities (SEND). AI-supported workflows will enhance the EHCP planning process, reducing waiting times and improving the quality of support planning. The transformation will also focus on improving consistency in social work practice, quality of care plans, and support for care leavers, ensuring better outcomes for children and young people.

Public Health

46   The digital transformation initiatives have the potential to improve public health outcomes by enhancing service delivery and operational efficiency. The assessment process has highlighted the potential for AI to improve decision-making and enhance service delivery across various departments, including Adult Social Care and Children's Services with the importance of putting customer considerations at the centre of service delivery. AI and digital technologies will enhance public health initiatives through better data analysis, supporting policy development, and improving service delivery. AI will help the council address public health challenges more effectively, promoting the health and wellbeing of all residents.

Climate Change

47   The programme will help the council reduce its carbon footprint and achieve environmental sustainability by promoting digital solutions and reducing energy consumption.

48   Digital transformation initiatives can lead to more efficient use of resources, reduced travel, and lower energy consumption. The council has considered incorporating environmentally sustainable practices into the implementation of AI and digital technologies, contributing to its climate change goals.

Access to Information	
Contact Officer:	Gareth Pawlett, Director of Digital Gareth.pawlett@cheshireest.gov.uk
Appendices:	NA
Background Papers:	NA