Forward Plan reference number: Not applicable

Report title: Artificial Intelligence Programme Drawdown from Reserves	
Report to: Councillor Christopher Whitbread Chancellor for Essex and Cabinet Member with responsibility for Finance	
Report author: Claire Taylor, Executive Director, Corporate Services	
Date: 12th March 2026	**For:** Decision
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County Divisions affected: All Essex	

1. Everyone's Essex

1.1 Everyone's Essex sets out four strategic aims and 20 commitments for Essex County Council (ECC). It also sets out a commitment to sustaining excellence in service delivery. To enable our services to deliver against this vision, particularly in the face of challenges around increasing demand for services, high inflation and the cost-of-living crisis, Essex County Council (ECC) requires efficient and effective support services.

1.2 The proposals in this decision are an enabler to excellence in service delivery as they ensure that Essex County Council (ECC) has efficient and effective services to enable us to deliver our services both internally to ECC employees and externally to Essex residents.

2. Recommendations

2.1 Agree to repurpose **£506,000** of previously allocated to Pioneering AI Programme to fund AI technologies including support, delivery and resources until the end of 2026/27.

2.2 Agree to drawdown **£801,000** from the Technology and Digitisation Reserve to deliver the AI capabilities, resources and technologies for Council's services taking the total reserve funding drawdown under this decision to **£1.307m** to the end of 2026/27. To be spent as per subsequent para 6.2.1 to 6.2.6. of this report

3. Background and Proposal

3.1 In 2024/25, work was undertaken to look at AI to assess effectiveness and affordability of using AI within the Council.

3.2 Transcription software was used to turn recordings into written documents. Long documents were summarised to identify key information including how residents engaged with Essex services.

3.3 The outcomes demonstrated a positive use of AI to improve efficiencies and created potential opportunities for cost savings and avoidance.

3.4 Demand for using AI capabilities is growing and to realise its potential at scale, ECC requires investment to utilise AI technologies and do so in a responsible, ethical, secure and repeatable manner.

3.5 The adoption of AI technologies will enable measurable efficiency gains, reduce waiting times, and deliver outcomes.

3.6 AI has the capability to provide solutions which will alleviate key pressures facing the council.

3.7 In 2023/24, a decision was taken to repurpose unused general carry forward funds and allocate £700,000 from the Carry Forward Reserve for Pioneering AI Programme to fund AI technologies. This funding was later transferred into the Technology and Digitisation Reserve where there remains an underspend of £506,000.

3.8 Officers wish to move forward with plans to use AI for priority outcomes including delivering improvements to processes, managing demand, and enhancing responses to customer and member enquiries. In order to do this, it is necessary for ECC to appoint fixed term resources to take forward the programme and procure the technologies and consultancies for AI solutions.

3.9 It is proposed to drawdown from the Technology and Digitisation Reserve and repurpose funding from the drawdown from Reserves to fund the resources and new technologies and platforms needed for delivery of AI technologies for ECC. The total cost of resources and technologies is set out in paragraph 6.2 of this report.

3.10 There will be a total of £1.307m drawn down from reserves and it is proposed to spend this as follows:

3.11 **£51,000** to cover the cost of upgrading Essex data platform to Microsoft Fabric. Upgrading the data platform to Microsoft Fabric allows data reports to be shared with public sector partners in a safe and secure way which will be needed in the run up to Local Government Reform (LGR). To be completed via the Enterprise-wide agreement with Microsoft with no procurement being required.

3.12 **£13,000** to continue the Robotic Process Automations (RPAs) activity in line with Microsoft Power Platform products and Azure subscription. This ensures that the automation capability can be securely developed, tested, deployed, monitored and scaled in line with operational demand and public sector governance standards, delivering improved outcomes for users and the organisation. To be completed via the Enterprise-wide agreement with Microsoft and Azure with no procurement being required.

3.13 **£242,000** to purchase new platforms and technologies and implementation consultancy needed for the development, testing and go live of the AI solutions described within this decision.

3.14 **£797,000** on an estimated 11 fixed term contracts for 12 months to supplement existing resource. This is summarised in table 1 section 6. The exact resource profile is subject to minor change as progress is made and the programme learns more as we deliver against the priority objectives, retaining an element of flexibility.

3.15 **£204,000** will be used for Azure cloud-based reporting (storage) and associated licence and subscription costs. There may be some cases where an alternative product is needed and this will be decided within the scope of officer delegated powers, contained within the overall cost of £204,000.

4. Links to our Strategic Ambitions

4.1 This report links to the following aims in the Essex Vision:

- Education outcomes.
- Promoting independence.
- Levelling up the economy.
- Outcomes for vulnerable children.

4.3 Whole Council Transformation 2030: Embrace innovation to improve processes, business models, culture and technologies (including AI).

4.4 Essex Vision: Provide an equal foundation for every child; share prosperity with everyone; connect us to each other and the world.

4.5 Approving the recommendations supports ECC's ambition to be net carbon neutral by 2030 by reducing travel and manual paper-based processing through digitisation; however, compute consumption will be monitored and managed to minimise environmental impact.

5. Options

5.1 Option 1: Do Nothing (not recommended)

5.1.1 Stop all AI work and switch off Robotics and Process Automation (RPA) already in use. This option includes a minimal investment in RPA and there will be no further investment re AI.

5.1.2 The organisation will lose the learning from existing RPA and the AI POCs and there will be missed opportunities for cost savings and efficiencies.

5.1.3 This option is not recommended as the organisation will fail to yield potential benefits, increase duplication of effort, and impede ECC's ambition to be a leading digital council.

5.2 Option 2 - Priority Outcomes Focus (Recommended)

5.2.1 The investment will ensure funding for delivery of priority outcomes by delivering scalable AI technologies to support the organisation.

5.2.2 This is the proposed option, as it enables ECC to utilise a standardised product management approach to the delivery of advanced AI as well as driving benefits to the business that are either financial and/or capacity related.

5.2.3 This option benefits from clear, time-limited funding model and will deliver tangible service improvements in priority areas.

5.2.4 It maintains and builds on existing automations and repeatable patterns for scaling across ECC.

5.3 **Option 3 - Responsible Innovation (not recommended due to Local Government Reform (LGR))**

5.3.1 This option includes setting up a permanent centrally funded AI team to prioritise and pipeline agile improvements.

5.3.2 However, setting up a permanent AI team requires a significant ongoing investment while the Return on Investment (RoI) and pipeline of work designated for the team are difficult to be determined.

5.3.3 This option is not recommended due to the speed and amount of change that the Council will have to absorb in a short period of time.

6. Issues for consideration

6.1 Impact of Local Government Reorganisation and Devolution

6.1.1 The Council faces time constraints due to LGR, limiting the scale and speed of AI deployment.

6.1.2 AI solutions will facilitate a flexible, adaptive and responsive approach to LGR and innovation through embracing best practice and new technologies.

6.2 Financial implications

6.2.1 The total funding requirement and drawdown request to support the AI priority outcomes focus option is **£1.307m** covering until the end of financial year 2026/27. The total funding will cover a dedicated AI staffing team (£797,000) and associated platforms and infrastructure costs (£510,000) until the end of 2026/27.

6.2.2 Staffing will cost an estimated **£797,000** as per table 1 below and will be mixture of extending existing staff and new staff. The exact staffing roles may change

upon implementation but will be required to come in within the overall financial envelope. They should be recruited on a basis to minimise the financial cost and future financial liability to ECC.

Table 1: Staffing requirement

Role	Grade	FTE	2026/27 cost £000
Data Scientist	E	1	80
Machine Learning Engineer	E	1	80
Data Engineer	E	1	80
Senior Product Manager	D	1	101
Delivery Manager	D	1	80
Developer	E	1	84
Junior Developer	G	1	49
Business Analyst	F	1	76
Use Centered Designer	E	1	77
Solutions Architect	E	0.5	41
Digital Support Analyst	F	1	49
Total staffing requirement		**10.5**	**797**

6.2.2 Approval is sought to spend **£51,000** to cover the cost of upgrading Essex data platform to Microsoft Fabric. Upgrading the data platform to Microsoft Fabric allows data reports to be shared with public sector partners in a safe and secure way which will be needed in the run up to Local Government Reform (LGR). This will be completed via the Enterprise-wide agreement with Microsoft.

6.2.3 Approval is sought to spend **£13,000** to continue the Robotic Process Automations (RPAs) activity in line with Microsoft Power Platform products and Azure subscription. This ensures that the automation capability can be securely developed, tested, deployed, monitored and scaled in line with operational demand and public sector governance standards, delivering improved outcomes for users and the organisation. This will be completed via the Enterprise-wide agreement with Microsoft and Azure.

6.2.4 Approval is sought to spend **£242,000** to purchase new platforms and technologies and implementation consultancy needed for the development, testing and go live of the use cases described within this decision. A follow-on Chief Officer Action will be developed for going to the market, the procurement and contract award to a supplier for the provision of the new platform and technologies for the AI use cases.

6.2.5 £204,000 will be used for Azure cloud-based reporting (storage) and associated licence and subscription costs. There may be some cases where an alternative product is needed and this will be decided within the scope of officer delegated powers, contained within the overall cost of £204,000.

6.2.6 The exact cost values may vary so there is a risk that the cost estimate could change however they will need to be within the financial parameters of this decision.

Tabe 2: Spend summary

Spend category	2026/27 £
Staffing resources	797,000
Technologies and Platforms for AI use case	242,000
RPA/Automations	13,000
Fabric	51,000
Azure cloud-based reporting storage and cop	204,000
Total spend under this decision	**1,307,000**

6.2.7 Funding for this **£1.307m** decision will be from the Technology and Digitisation in full. There is sufficient headroom in the reserve to fund this based on known current approved and planned future programmes. Funding from the reserve will be a mixture of a new reserve request of **£801,000** and the repurposing of **£506,000** of underspend held in the Technology and Digitisation Reserve from the previously approved Pioneering AI Programme.

6.2.8 Net benefits associated with the investment are estimated at £900,000 per annum, comprising of gross savings £1.400m and associated ongoing costs of £500,000. As the exact technology solution to be used for each outcome is not fully known until the AI team is in place there is a high risk that this estimate, of both gross benefits and ongoing cost, could change.

6.2.9 The estimated AI financial benefits of **£900,000** per annum is a savings ambition target and is not built into the MTRS. Associated net financial benefits and cashable savings will be assessed throughout the AI programme delivery and added into the 2027/28 MTRS budget setting process where applicable pending validation and approvals.

6.2.10 Benefits have been quantified based on learning from AI and RPA POCs where staffing hours can be saved by implementing AI technology. The actual technical product used for delivery towards the outcomes may differ to this assumption so the exact level of saving, the associated cost and the functions which they reside is not known fully until the team is in place to do full analysis of the issues to be solved. Benefits delivery will need to be monitored.

6.2.11 Benefits will be evaluated individually to determine whether they are cashable (direct financial savings) or non-cashable (e.g. capacity creation or growth avoidance). This assessment will involve establishing baseline KPIs, such as expected hours reclaimed through reduced manual work, and comparing pre and post AI performance. Financial savings will then be calculated based on the equivalent cost of the roles that have had hours saved. A 0.5 FTE threshold will be used as the minimum cashable saving. An assessment of the funding

source will also be made to establish if there are any financial constraints (e.g. grant funded areas). The benefits evaluation and assessment will take place at the start of deploying the AI initiative where the estimated saving will be agreed by the AI team, Finance and Service impacted and then reviewed and monitored throughout until final benefit is known. Should consensus not be made through the assessment on the cashable saving then it is proposed to escalate at the appropriate time to the Section 151 Officer and relevant Function Executive Director (or appropriate deputy).

6.2.12 Any savings delivery is subject to evidence of hours/FTE saved and is subject approvals from impacted service areas. As the on-going cost of the AI toolkit is assumed to be funded from gross savings from 2027/28 onwards, if cashable savings are not made then alternative funding for the on-going cost will be needed.

6.2.13 An assumption has been made that savings can be delivered from quarter 4 in 2026/27, with the full year impact built into the MTRS from 2027/28, as per table 3 below. However, as the cashable elements require a reduction in FTE numbers only after the AI initiative has been implemented, the timing of releasing the savings is not fixed at this stage as would require impacted services to deliver. Savings are assumed to be permanent and recurring however a decision for inclusion in the MTRS will be required as part of the 2027/28+ budget setting process once further detail is known. Further cost avoidance and cashable benefits opportunities are expected but are unknown until the AI Team is established.

Table 3: Estimated MTRS savings ambition profile:

	2026/27	2027/28	2028/29
	£000	£000	£000
TOTAL NET TIME SAVING	225	900	900

6.2.14 Decisions needed around the procurement and options to spend the funds will be developed in line with current ECC policies.

6.2.15 As this decision seeks one year investment only, further governance/decisions will be required before the temporary funding ends to identify further funding for any cost that need to continue beyond the one-year period.

6.3 Legal implications

6.3.1 The Council's financial regulations state that all drawdowns from reserves must be approved by the Cabinet Member for Finance.

6.3.2 Drawing down of money from reserves does not authorise any expenditure that is a key decision or any significant changes to ECC services or funding which must be authorised by the relevant Cabinet Member

6.3.3 It is unusual to recommend drawing down fund where it is not known how they will be spent.

7. Equality and Diversity Considerations

7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

(a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful

(b) Advance equality of opportunity between people who share a protected characteristic and those who do not.

(c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3 The Equalities Comprehensive Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8 List of Appendices

Appendix 1 – Equalities Comprehensive Impact Assessment (ECIA).

9 List of Background Papers

None.

Role	Date
I approve the above recommendations set out above for the reasons set out in the report. **The Chancellor of Essex, Councillor Chris Whitbread**	11/03/2026

In consultation with:

Role	Date
Cllr Tom Cunningham - Cabinet Member for Digital and Corporate Services	10/03/2026

Director, Finance (S151 Officer) **Michael Neumann on behalf of Stephanie Mitchener**	25/02/2026
Director, Legal and Assurance (Monitoring Officer) **Laura Edwards on behalf of Paul Turner**	04/03/2026
Claire Taylor, Executive Director for Corporate Services	03/03/2026