

10.5. Draft Use of Artificial Intelligence Policy

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ATTACHMENTS	1. Use of Artificial Intelligence Policy [10.5.1 - 6 pages]
CSP LINK	Outcome 8 – An effective, accountable and sustainable Council that serves the community G4. Manage risks and maintain independent oversight in business operations and decision-making G5. Exercise regulatory compliance responsibilities diligently to protect the environment and support our community G6. Commit to efficiency and value for money in service delivery G7. Build a resilient, inclusive and empowered workforce that is committed to delivering community outcomes

PURPOSE:

The purpose of this report is to present Council with a draft Use of Artificial Intelligence Policy for endorsement, to proceed to public exhibition until midnight 25 January 2026 to allow for extended feedback time over the holiday period.

EXECUTIVE SUMMARY:

- There is a need for Council to consider the emergence of Artificial Intelligence and its increasing use in the workplace, both from the point of view of empowering and informing staff in its benefits, and in ensuring good governance practices are used.
- The NSW Artificial Intelligence Ethics Policy, which applies to all NSW Government agencies, was used as a foundational reference in the development of the NSC AI policy. This policy is widely recognised as industry best practice, providing a principles-based framework that ensures the ethical, transparent, and accountable use of AI across government services. Policies from other local councils were also reviewed and considered.
- The aim is to establish a clear, Council-wide position on governance principles related to artificial intelligence. This policy will be supported by operational policies which will be developed and updated as technology evolves, including a Use of Generative AI Policy, to guide practical implementation across the organisation.

RECOMMENDATION:

1. THAT Council endorse the Draft Use of Artificial Intelligence Policy, to be placed on public exhibition for a minimum period of 28 days calling for submissions.

2. THAT a further report be provided to Council following the conclusion of the public exhibition period, for the purpose of considering any submissions received, and to adopt the Use of Artificial Intelligence Policy.

Background

The rapid emergence of artificial intelligence (AI) tools in workplaces, including local government, has created both opportunities and risks. Staff increasingly use AI-enabled systems for research, content generation, data analysis, and customer interaction, often without formal guidance on privacy, accuracy, or ethical use. This has highlighted the need for a consistent, organisation-wide policy to ensure AI is used safely, responsibly, and in alignment with Council's governance and legal obligations, while also promoting and teaching staff about its potential benefits when used appropriately.

Without a policy framework, there is a heightened risk of unintentional breaches of privacy, misuse of confidential or personal information, biased or unreliable outputs, and reputational harm. The NSW Government has recognised these risks through the NSW AI Assurance Framework (AIAF) and has issued guidance for public sector agencies to establish clear accountability and oversight for AI use.

Report

Developing a formal policy enables Council to proactively set the boundaries for managing these emerging risks, setting clear expectations for staff and contractors, while supporting innovation within secure and ethical boundaries. It outlines that any use of AI technologies is transparent, risk-assessed, and compliant with NSW public sector standards.

Given the significant public interest in artificial intelligence and the policy's core principle of transparency, it is recommended that the document be established as a publicly accessible Council Policy rather than an internal Operational Policy. A Council policy provides a clear, authoritative framework that is open to community scrutiny, reinforcing trust and accountability in how Council governs emerging technologies. By making the policy public, Council demonstrates its commitment to ethical AI use, aligns with best practice in governance, and ensures stakeholders understand the principles guiding decision-making.

The NSW Artificial Intelligence Ethics Policy, which applies to all NSW Government agencies, was used as a foundational reference in the development of Council's policy. This policy is widely recognised as industry best practice, providing a principles-based framework that ensures the ethical, transparent, and accountable use of AI across government services. Policies from other local councils were also reviewed and considered.

Consultation requirements

Community engagement will be undertaken in accordance with Council's Community Engagement Strategy. Given the timing of this engagement period through the holiday period, the engagement will open prior to the end of 2025, however it will close midnight 25 January 2026.

Financial/Resource Implications

There are no direct financial or resource impacts in adopting this policy.

Legislation

The attached policy includes a comprehensive list of all relevant legislation, guidelines and frameworks considered during the preparation of this policy.

Draft USE OF ARTIFICIAL INTELLIGENCE POLICY

ADOPTION DATE:

xxx

REVIEW PERIOD:

xxx

DOCUMENT TYPE:

Council Policy

POLICY OWNER:

Director Corporate Services

POLICY REFERENCE:

CNCL_POL_ECMxxxxxxx



1. PURPOSE

1.1. The purpose of this policy is:

- To encourage innovative approaches to service delivery and decision-making by leveraging the benefits of Artificial Intelligence (AI).
- To ensure Council uses AI in a safe, responsible, and transparent manner that enhances services, improves efficiency, and aligns with legal, ethical, and community expectations.

2. SCOPE

2.1. This policy applies to:

- All Councillors, employees including labour hire, agency employees, apprentices, consultants, and contractors, as well as volunteers who may be purchasing, configuring, developing, operating, or maintaining Council's AI systems or who may be leveraging AI systems to provide services.

3. DEFINITIONS

TERM	DEFINITION
3.1 AI	Refers to Artificial Intelligence - intelligent technology and computing algorithms that can augment decision-making by identifying meaningful patterns in data.
3.2 Enterprise Secure AI Platform	A private, protected environment where council can safely build and use artificial intelligence tools. Unlike public AI platforms (like ChatGPT or Google Bard), it keeps sensitive data secure, follows strict rules, and ensures AI is used responsibly and ethically.
3.3 Public AI Platform	Artificial intelligence services (e.g. ChatGPT, Google Bard) that are available to anyone online and designed for general use and are often free or low-cost. They don't guarantee privacy or security for sensitive or confidential information.

4. PROVISIONS

4.1 MANDATORY PRINCIPLES FOR THE USE OF AI

Council will adhere to the following key principles for the use of AI:

4.1.1. Privacy and security

Inputs into AI tools will not include or reveal any confidential or sensitive information, including personal, commercial information, or legal privilege. This content will only

be used in approved Enterprise Secure AI Platforms, where system-level protections are in place to manage data privacy and storage. It must not be used in Public AI Platforms.

All use of AI platforms must comply with Council's Acceptable Computer Use Policy, Privacy Management Plan, and Records Management Policy.

4.1.2. Community benefit

AI will be used to improve public services, support informed decision-making, or deliver better outcomes for the community. Its use will be purposeful, measurable, and aligned with Council's commitment to serving the public interest.

4.1.3. Fairness

Council will ensure AI use promotes equity and inclusion, avoids bias or discrimination, and supports equal access to services. AI-assisted decisions must be reviewed by humans to ensure fair outcomes and compliance with anti-discrimination laws.

4.1.4. Transparency

Council will ensure transparency in the use of AI by disclosing its involvement when AI tools contribute to public-facing content, influence service delivery, or assist in decision-making that affects individuals or community outcomes.

Disclosure is required when AI is used to generate reports, correspondence, recommendations, or other outputs that inform or represent Council actions. However, disclosure is not required when AI is used solely to improve grammar, clarity, or formatting of existing text without introducing new analysis, research, or substantive content.

Staff must maintain clear records of AI use and ensure that AI-assisted decisions can be explained in plain language, with appropriate human oversight and review.

4.1.5. Accountability

Council will retain human oversight over all uses of artificial intelligence (AI), ensuring clear responsibility for decisions and outcomes.

All AI-assisted decisions will be subject to human review and aligned with organisational governance frameworks.

Oversight will ensure compliance with relevant legislation, including privacy, copyright, intellectual property, and common law obligations.

Council is responsible for content produced using AI tools; however, copyright protection applies only where sufficient human input and creative direction are demonstrated. Staff must ensure originality and avoid reproducing third-party material or using prohibited platforms.

4.2. RISK MANGEMENT, MONITORING AND EVALUATION

4.2.1. Council will utilise the NSW AI Assessment Framework (AIAF) to assess the risks of each new AI system and decide what actions are needed to manage those risks when making decisions regarding the procurement, system design or use of AI within Council processes.

4.2.2. Council will manage AI-related risks through ongoing monitoring, evaluation, and assurance practices aligned with the NSW AI Assessment Framework and updated standards and guidelines from Digital NSW.

4.2.3. Staff feedback, usage records, and system reviews will also inform continuous improvement, training updates, and future policy revisions to reflect emerging risks and technologies.

4.3. INCIDENT MANAGEMENT

4.3.1. Council will manage any suspected misuse or breach involving artificial intelligence in accordance with existing governance and compliance frameworks, including privacy, data breach, and code of conduct requirements.

4.4. TRAINING AND AWARENESS

4.4.1. Council will promote responsible and informed use of artificial intelligence by ensuring staff have access to appropriate guidance and awareness resources. Training will focus on understanding AI capabilities, limitations, ethical considerations, and privacy obligations.

5. ROLES & RESPONSIBILITIES

AREA	RESPONSIBILITIES
5.1 Responsible Officer	The Chief Information Officer is the responsible officer for this Policy and is accountable for its currency and communication, as well as approving the use of new AI systems and the monitoring and evaluation of current AI systems use under the AIAF Framework.
5.2 Mayor and Councillors	The Mayor and Councillors have a governance role in relation to council policies. They are responsible for reviewing and adopting policies that reflect legislative requirements and community expectations.
5.3 Chief Executive Officer	Council has delegated the Chief Executive Officer the authority to exercise the responsibilities detailed in this Policy.
5.4 Executive Leadership Team	ELT are responsible for ensuring their departments adhere to the requirements of this Policy and providing guidance in respect of the strategic objectives of the Policy within their Division and the organisation.
5.5 Digital Transformation Team	Is responsible for application the AIAF Framework to govern the implementation of Enterprise-Secure AI platforms, assess

	and mitigate risks, support staff guidance and training, ensure compliance in procurement, and monitor ongoing AI performance and accountability.
5.6 Employees	Employees must comply with this Policy and act within the authorities and boundaries it establishes.

6. RELATED DOCUMENTS

DOCUMENT	LOCATION
6.1 Acceptable Computer Use Policy (Operational Policy)	OPS_POL_ECM10623491
6.2 Code of Conduct – Councillors and Staff	As published on Council's Website
6.3 Enterprise Risk Management Policy	As published on Council's Website
6.4 Community Engagement Strategy	As published on Council's Website
6.5 Data Breach Policy	As published on Council's Website
6.6 Media Liaison Policy	As published on Council's Website
6.7 Privacy Management Plan	As published on Council's website
6.8 Records Management Policy	As published on Council's Website
6.9 Social Media Policy	As published on Council's Website

7. RELATED LEGISLATION AND GUIDANCE

LEGISLATION/GUIDANCE	LOCATION
7.1 AI Assurance Framework (AIAF)	A recommended self-assessment tool guiding ethical, transparent, and risk-managed AI use across NSW public sector agencies, especially for high-risk or large-scale projects, available through Digital NSW.
7.2 Local Government Act 1993 (NSW)	Underpins enterprise risk management by mandating sound governance. Key sections include Chapter 3 Principles for local government
7.3 Health Records and Information Privacy Act 2002 (NSW)	Outlines how Council must manage health information. The Act contains 15 Health Privacy Principles that Council must comply with.
7.4 Privacy and Personal Information Protection Act 1998 (NSW)	Outlines how Council must manage personal information. The Act contains 12 Information Protection Principles that Council must comply with.
7.5 Anti-Discrimination Act 1977 (NSW)	Renders unlawful racial, sex and other types of discrimination in certain circumstances and promotes equality of opportunity between all persons.

7.6 ANZ/NZS ISO 31000:2018 Risk Management	Standard that provides principles and guidelines for effective risk management, promoting a structured, integrated approach to identifying, assessing, treating, and monitoring risks, enhancing decision-making, resilience, and continuous improvement across organisations.
7.7 Generative AI: basic guidance Digital NSW	Provides foundational guidance for NSW public sector on safely using generative AI, aligning with transparency, ethics, and human oversight principles.

8. VERSION HISTORY

Version	Date Approved	Approved by	Resolution No.	Review Date
1	XX XXXXXXXX 2025	Council	XXX	2008/09