Policy

Artificial Intelligence (AI) Policy

Date of Adoption	17 December 2025				
Adoption Method	☒ Council	☐ CEO		☐ Other *(please specify)*	
CEO Signature				**Date**	18 December 2025
Responsible Officer and Unit	Manager Digital Technology				
Nominated Review Period	☒ Annually	☐ Every 4 years		☐ Other *(please specify)*	
Last Endorsement Date	Not Applicable				
Next Endorsement Date	December 2026				

Macedon Ranges Shire Council acknowledges the Dja Dja Wurrung, Taungurung and Wurundjeri Woi Wurrung Peoples as the Traditional Owners and Custodians of this land and waterways. Council recognises their living cultures and ongoing connection to Country and pays respect to their Elders past, present and emerging. Council also acknowledges local Aboriginal and/or Torres Strait Islander residents of Macedon Ranges for their ongoing contribution to the diverse culture of our community.

DOCUMENT HISTORY	Version	Date	Author / Approver
Initial Draft	1	September 2025	G Maudsley
Second Draft	1.1	November 2025	ELT
	1.2	November 2025	Cr Briefing
Final Draft	2.0	December 2025	
Approval	2.0	December 2025	Council

Contents

1. Purpose/Objective

The purpose of Macedon Ranges AI policy is to establish a clear, ethical, and practical framework for the use of Artificial Intelligence (AI) technologies within Council. As AI tools become increasingly embedded in public sector operations, this policy ensures that Council's adoption and use of AI:

- Aligns with Council's strategic objectives.

- Upholds legal, ethical, and privacy obligations under Victorian and Commonwealth law.

- Supports officers in using AI responsibly to enhance productivity, creativity, and decision-making, without compromising human oversight or accountability.

- Provides governance structures to manage risks, monitor usage, and ensure transparency in Council's use of AI.

- Encourages continuous learning and adaptation as AI technologies evolve, ensuring Council remains responsive to emerging opportunities and challenges.

This policy is intended to guide the considered use of AI where it augments human thought and expertise, improves service delivery, and strengthens Council's operational integrity.

2. Scope

This policy applies to all Council employees, contractors, consultants, and volunteers who use, procure, or interact with AI tools and technologies in the course of their duties and across all business units and functions, whilst on Council's network, or using Council IT services. It covers both experimental and operational use of AI and applies regardless of whether the AI tool is free, licenced, trial-based, or embedded in existing software. It includes:

- Generative AI platforms (e.g., ChatGPT, Microsoft Copilot, Google Gemini) used for drafting, summarising, analysing, or creating.

- Embedded AI features within existing software systems (e.g., predictive text, smart search, automated tagging).

- AI-enabled applications used for data analysis, automation, decision support, or customer interaction.

- Publicly accessible AI platforms hosted externally and not under Council's direct control or infrastructure.

- Procured AI solutions integrated into Council systems or services, including vendor-managed platforms.

3. Acceptable Use

Council encourages the responsible and informed use of Artificial Intelligence (AI) tools to support innovation, efficiency, and service quality. Acceptable use is defined by the following principles and practices:

3.1 Supported Uses of AI

Council officers may use approved AI tools and platforms in line with our existing policies on IT Acceptable Use, Privacy and the Employee Code of Conduct. AI is intended to be used to augment existing service delivery and governance functions, as well as improve overall efficiency. This below list is a non-exhaustive set of examples to provide guidance for staff. It is expected that more examples of acceptable use will emerge as technologies develop.

They may use approved AI tools and platforms to:

i. Enhance Communication and Writing

- Draft, edit, or refine internal and external communications.

- Translate complex technical language into accessible formats for diverse audiences.

- Generate summaries, bullet points, or alternative language to improve clarity and audience engagement.

ii. Support Research, Planning and Analysis

- Explore different perspectives on a subject to help inform decision-making.

- Identify trends, risks, or opportunities through AI-assisted data analysis from large datasets (e.g. customer requests, asset data, budget trends, feedback)

- Generate frameworks or audit tools for internal use.

- Assist in analysing or comparing policy options using legislative and regulatory references.

iii. Improve Productivity and Workflow

- Automate repetitive tasks such as formatting, tagging, or categorisation.

- Generate templates to support project planning and meetings.

- Assist with novel and critical thinking, ideation, or scenario modelling.

- Support meeting preparation through document summarisation, drafting agendas and minutes

iv. Support Innovation and Learning

- Experiment with AI tools to explore new approaches to service delivery, including through pilot projects.

- Support staff professional development, training, and knowledge sharing.

- Collaborate with AI to test hypotheses or simulate outcomes in controlled environments or operational scenarios

It is expected that all permitted uses will occur in accordance with Council's governance, privacy and information security requirements. Officers must apply sound judgement, maintain accountability for all outputs, and ensure AI use remains transparent and aligned with Council values.

3.2 Prohibited Uses

Council officers must not use AI tools or platforms to:

i. Handle Sensitive or Confidential Information, including not:

- Inputting personal, health, financial, or legally protected data into public AI platforms.

- Sharing internal documents, draft policies, or privileged communications with external AI tools.

ii. Make Unsupervised Decisions, including not:

- Using AI to make decisions or drafts on policy, planning, or service delivery without final human oversight and review.

- Delegating responsibility for compliance, risk assessment, or legal interpretation to AI tools.

- Using AI outputs as the sole basis for assessing applications, complaints ore regulatory actions.

iii. Circumvent Council Policies or Controls, including not:

- Bypassing approved platforms or access restricted AI tools without authorisation.

- Using AI to undermine Council's cybersecurity, privacy, or ethical standards.

- Deploying third-party browser extensions, plug-ins or Application Programming Interfaces (APIs) that interact with unapproved AI systems.

3.3 Contextual Considerations

Officers must apply judgment and consideration when using AI tools by:

i. Allowing for audience sensitivity, and how AI-generated content may be perceived by community members, stakeholders, or regulators.

ii. Avoiding prompts or outputs that may reinforce stereotypes, bias, or misinformation, considering the cultural and ethical impact of its use.

iii. Disclosing the use of AI when it materially influences public-facing content, recommendations, or reports.

iv. Retaining relevant prompts and outputs where AI is used to inform decisions or materially contributes to official records.

v. Considering the environmental impact of AI vendors, platforms, tools, and usage, including energy and water.

4. Governance and Controls

Council uses several controls and governance mechanisms to ensure the best use of AI in its operations:

i.   A list of approved tools maintained by Digital Technology Services (DTS) in consultation with Governance and Risk, as outlined in the AI Protocols document available on the intranet.

ii.   Access Controls managed by DTS that will restrict access to unapproved or high-risk AI platforms.

iii.   Training modules on the safe and effective use of AI technologies, made available to all staff.

iv.   Monitoring and reporting on AI usage, including periodic review to ensure compliance and identify emerging risks and an annual summary of AI use and risks reported to the Executive Leadership Team, and/or the Audit and Risk Committee, as part of regular ICT governance reporting.

v.   An internal AI Working Group to provide advice and guidance on the strategic implementation and adoption of AI, reporting to the Executive Leadership Team who retain approval authority.

5. Principles

Council's use of AI is guided by the following principles:

Principle	Guiding Statements
Transparency	Officers understand how AI works, its impact, and disclose its use when relevant.
Accountability	Officers retain full responsibility for decisions and outputs informed by AI.
Council's Confidential Data	No commercial in confidence, confidential, or private information or documents is entered into public AI platforms
Privacy & Data Protection	No protected, confidential, personal, or sensitive data is entered into public AI platforms.

Principle	Guiding Statements
Equity & Fairness	Officers proactively manage bias and uphold Council's commitments to diversity and inclusion.
Cybersecurity	AI use aligns with Council's information security protocols and risk management practices.
Innovation	AI is used to enhance thinking, productivity, and service delivery—not to replace human judgment.
Environmental Sustainability	AI technologies, solutions and practices that best align with Council's broader environmental commitments will be prioritised.
Community Engagement	Affected users and community members will be consulted where the use of AI materially shapes their service experience.

6. Compliance

All use of AI must comply with applicable legislation, Council policies, and ethical standards.

6.1 Legislative and Regulatory Compliance

Below is a summary of compliance requirements against key legislation. This list is not exhaustive.

Legislation	Compliance Requirements
Privacy and Data Protection Act 2014 (Vic)	Officers must not input personal, health, or sensitive information into public AI platforms. Data handling must meet Victorian Information Privacy Principles (IPPs).
Charter of Human Rights and Responsibilities Act 2006 (Vic)	AI use must respect human rights, including privacy, equality, and freedom of expression. Officers must assess whether AI outputs could infringe on these rights.
Local Government Act 2020 (Vic)	AI must support principles of transparency, accountability, and community engagement. Officers must ensure AI use does not undermine democratic processes or Council integrity.

Legislation	Compliance Requirements
Public Records Act 1973 (Vic)	AI-generated content that informs decision-making or public communication must be appropriately documented and retained in accordance with recordkeeping obligations.
Copyright Act 1968 (Cth)	Officers must ensure AI-generated content does not infringe third-party intellectual property rights. Attribution and licensing must be considered when publishing outputs.

6.2 Internal Governance and Ethical Standards

Officers must uphold ethical standards, exercise professional judgment, and take steps to avoid misuse of AI tools, consistent with the Employee Code of Conduct and the Commonwealth's AI Ethics Principles and framework[1]

i.   Council's ICT Acceptable Use Policy applies to the use of AI platforms. They are part of Council's digital ecosystem and must comply with security and usage protocols.

ii.   Officers must avoid exposing Council systems or data to external threats via AI platforms, in line with Council's Information Security Policy.

iii.   AI tools must undergo privacy impact assessments and cybersecurity reviews before deployment, in line with Council's Procurement and Vendor Management policies and procedures. AI vendors should demonstrate sustainable practices, including efficient data storage, renewable-powered data centres, and/or lifecycle management of digital infrastructure.

iv.   AI Ethics and impact statements will be included with any new AI technology implementation project.

6.3 Risk Management and Oversight

Implementation of AI tools and changes to Council processes and services are subject to Council's usual risk management processes, in line with Council's existing risk framework.

Regarding the use of AI, officers should:

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[1] Australia's AI Ethics Principles

- Assess AI outputs for accuracy, evidence, bias and/or discriminatory content

- Ensure final accountability rests with human decision makers where use of AI may inform decisions.

- Retain records of AI use where it influences reports, recommendations, or public-facing content.

- Report any suspected misuse, data breach, or ethical concern in line with legal requirements and Council's code of conduct.

7. Review

This policy will be reviewed annually, or more frequently if required in response to technological developments, regulatory changes, or Council priorities.

8. Gender Impact Assessment

In accordance with the Gender Equality Act 2020, a Gender Impact Assessment was not required in relation to the subject matter of this policy.

9. Definitions

Term	Definition
Artificial Intelligence (AI)	Technologies that simulate human cognitive functions such as learning, reasoning, and decision-making.
Generative AI	AI that creates new content—text, images, audio, or code—based on patterns learned from large datasets.
Machine Learning (ML)	A method of AI where systems learn from data to improve performance over time without explicit programming.
Large Language Model (LLM)	A type of generative AI trained on vast text corpora to understand and generate human-like language.
Public AI Platform	Any AI tool hosted externally and accessible via the internet, outside Council's infrastructure or control.

Term	Definition
Embedded AI Features	AI capabilities integrated into existing software platforms that operate without explicit user prompts.
Prompt	A user-generated input or instruction given to an AI tool to elicit a response.
AI Output	The content or result generated by an AI system in response to a prompt.
Bias (in AI)	Systematic errors in AI outputs that reflect prejudices or imbalances in training data.
AI Governance	The framework of policies, procedures, and oversight mechanisms guiding ethical and secure AI use.
Human-in-the-Loop (HITL)	A model ensuring human oversight throughout AI use, with final accountability retained by officers.
AI Risk Assessment	A structured evaluation of potential risks associated with AI use, including privacy, security, and ethical impacts.

10. References

> Digital Victoria (2021), Artificial Intelligence Ethics Framework for the Victorian Public Sector.

> Office of the Victorian Information Commissioner (OVIC), Guidelines to the Information Privacy Principles, 2023.

> Local Government Victoria (2022), Information and Cybersecurity Guidelines for Victorian Councils.

> Victorian Ombudsman (2023), Good Practice Guide: Public Sector Use of Emerging Technologies.

> Department of Government Services (2024), Digital Strategy for Victoria 2021–2026 (update)

> Emerging standard - ISO/IEC 42001:2023 (AI management systems),

> Emerging standard – ISO/IEC 42005:2025 (Information Technology – Artificial intelligence (AI) – AI system impact assessment)

11. Related Policies

> Information Security Policy

> ICT Acceptable Use Policy

> Privacy Policy

> Procurement Policy and Procedures

> Risk Management Framework

> Code of Conduct

> Sustainability Policy (where applicable)

> AI Guidelines and protocols for staff

12. Related Legislation

> *Copyright Act 1968 (Cth)*

> *Privacy Act 1988 (Cth)*

> *Privacy and Data Protection Act 2014 (Vic)*

> *Charter of Human Rights and Responsibilities Act 2006 (Vic)*

> *Public Records Act 1973 (Vic)*

> *Freedom of Information Act 1982 (Vic)*