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SUBMISSION:

Joint Select Committee on Artificial Intelligence

Western Sydney Regional Organisation of Councils Limited.

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This document

WSROC thanks the Joint Select Committee on Artificial Intelligence for the opportunity to provide feedback on Artificial Intelligence (AI).

Some of our member councils, and councils participating in relevant WSROC programs, will make their own submissions. This document should be viewed in addition to, and complementary to, those submissions.

We would welcome the opportunity to discuss local government views and requirements further.

Should you have any further questions on this submission, please contact WSROC CEO Francine Binns on (02) 9671 4333 or at francine@wsroc.com.au.

Contents

1. Executive summary 4
2. Introduction: AI and local government 6
3. Recommendations 6
3.1 The capability gap is a significant barrier 6
3.2 Consistent governance and responsible adoption 8
3.3 AI should improve public services without removing public accountability 9
3.4 AI can help councils address productivity and service-delivery pressures 10
3.5 Ensuring AI benefits reach suburbs and regions 11
3.6 Western Sydney and AI infrastructure 12
3.7 AI procurement and vendor assurance 13
3.8 Workforce and skills 14
4. Conclusion 15

1. Executive summary

The Western Sydney Regional Organisation of Councils (WSROC) welcomes the opportunity to provide a local government perspective to the Joint Select Committee on Artificial Intelligence.

Formed in 1973, WSROC represents councils across Greater Western Sydney. Western Sydney is home to more than two million people and is experiencing rapid growth. The region is an economic powerhouse, and supports nationally important infrastructure, including Western Sydney International Airport, major transport infrastructure, industrial precincts and a growing concentration of data centres.

Artificial intelligence (AI) presents significant opportunities for local government and the communities it serves. Beyond productivity benefits, AI also has the potential to improve community outcomes by enhancing access to services, supporting more responsive engagement with residents, improving infrastructure management and enabling evidence-based decision-making. For local government, public trust, transparency and demonstrable public value are essential prerequisites for responsible AI adoption. Used appropriately, AI has the potential to improve productivity, customer service, planning, infrastructure management, emergency management and preparedness and the delivery of local services.

However, councils are also confronting significant challenges in adopting AI responsibly. These include limited resources and capability, privacy and cyber security risks, data quality, procurement and vendor management, workforce capability, transparency and community trust.

WSROC considers that local government should be recognised not only as an important adopter of AI, but also as a key governance partner in Australia's AI transition. Councils are often the level of government most directly exposed to community expectations, complaints, trust concerns and implementation challenges associated with AI-enabled services. Their practical experience should inform the development of future AI policy, assurance frameworks and community safeguards. Councils are both users of AI and the level of government closest to many of the communities, infrastructure and services that will be affected by its adoption.

WSROC recognises the significant work already undertaken by the Australian and NSW governments to establish a consistent approach to the safe and responsible use of artificial intelligence, including the Australian Government's Policy for the Responsible Use of AI in Government, the National Framework for the Assurance of Artificial Intelligence in Government, the NSW AI Operational Policy 2026, and NSW AI Assessment Framework and the Australian Government Voluntary AI Safety Standard and broader guardrails work.

WSROC supports this work and considers that nationally consistent principles and risk-based assurance provide a strong foundation for responsible AI adoption. The priority should now be supporting councils to implement these principles in practice through capability-building, practical guidance and shared resources.

A summary of the recommendations included in this submission is listed below. Further detail is provided in the subsequent sections of this submission.

Summary of recommendations

1. **Local government capability:** Co-develop a national AI capability program with and for local government, including guidance, training, procurement, records management and data governance resources.
2. **Consistent governance:** Develop nationally consistent principles, practical guidance and implementation support for responsible AI adoption by councils.
3. **Human accountability:** Establish clear expectations for human oversight and accountability where AI influences consequential public decisions.
4. **Local government innovation:** Support council AI pilots and knowledge-sharing focused on measurable productivity and community outcomes.
5. **Equitable access to capability:** Support regional capability hubs, collaborative service models and coordinated procurement approaches to ensure benefits are distributed across metropolitan, outer-suburban, regional and rural councils.
6. **AI infrastructure:** Ensure councils have a formal role in planning for data centres and associated energy, water and infrastructure requirements.
7. **AI procurement and vendor assurance:** Develop national procurement templates, model contract clauses, vendor assurance resources and risk assessment tools for local government.
8. **Workforce capability:** Invest in AI literacy, procurement capability, contract management, vendor assurance and workforce transition.

2. Introduction: AI and local government

Councils are already adopting AI, although adoption remains at an early stage. The NSW Audit Office's *Local government 2025 report* found that 90 NSW councils had reported adopting a total of 109 AI tools, either through pilots or full implementation. The most common uses were general productivity and workflow enhancement, with councils also using AI for resident and developer interaction, planning applications, recruitment, cyber security, asset assessment and waste contamination identification. A further 51 per cent of councils surveyed had AI tools under consideration, planning or development.

Early council applications demonstrate the potential for AI to improve efficiency, customer experience and access to information. Western Sydney examples include Western Sydney examples include using AI to assist planning and development assessment processes, analyse community feedback, retrieve information from large document sets and support administrative tasks.

Emerging approaches emphasise transparency, auditability and human oversight rather than replacing professional or statutory decision-making. This demonstrates that councils are adopting AI incrementally, testing its value and managing risks before considering broader implementation.

NSW Government support for AI in planning has also demonstrated the value of collaboration, with more than $2.7 million provided to 16 councils through an Early Adopter Grant Program.

These examples demonstrate that the value of AI for local government is not necessarily in replacing professional judgement. Rather, significant benefits may come from reducing administrative burdens, improving access to information, identifying patterns in large datasets and allowing skilled staff to focus on higher-value work.

For local government, the challenge is to harness these benefits while ensuring AI is adopted in a way that is responsible, transparent and appropriate to the services councils deliver.

3. Recommendations

The following sections outline eight recommendations for supporting responsible AI adoption from a local government perspective, with a focus on building capability, strengthening governance and assurance, supporting innovation, and ensuring the benefits of AI are shared across communities and regions.

3.1 The capability gap is a significant barrier

The benefits of AI will not be realised equally across local government without targeted support. The NSW Audit Office found that only 11 per cent of councils had an AI adoption strategy and fewer than half had a

formal AI policy or had embedded AI considerations into existing policies. Only 10 per cent of councils reported having a central inventory of AI tools in use.

Councils identified a number of barriers, including:

- resource and budget constraints
- data quality
- privacy and security
- limited AI literacy
- governance and ethical issues
- outdated technology infrastructure
- vendor and procurement management.

The Audit Office also found significant gaps in councils' integration of AI into risk management, procurement, IT governance, training and reporting.

Councils also face emerging challenges relating to records management, transparency and data sovereignty. Existing obligations under records management legislation and the Government Information (Public Access) Act continue to apply when AI tools are used to support council operations and decision-making. Councils require practical guidance on maintaining appropriate records, ensuring transparency and auditability, and managing risks associated with the storage, processing and use of council data by AI-enabled systems.

The increasing use of generative AI also raises questions regarding the status, retention and discoverability of AI-generated content. Councils require greater clarity regarding recordkeeping obligations where AI systems contribute to drafting, analysis, correspondence, recommendations or decision-support activities. Guidance should ensure that existing accountability, audit and public access requirements can continue to be met in an AI-enabled environment.

Many councils lack the resources to independently develop AI governance and assurance capability, particularly where existing investment pressures already exist.

There is an opportunity for the Australian Government to work with state, territory and local government representatives to determine how the existing National Framework for the Assurance of AI in Government and jurisdictional AI frameworks can be applied proportionately to local government.

This should include:

- common minimum principles and risk-management expectations

- practical guidance for councils
- model policies and assessment tools
- proportionate requirements based on the risk and scale of AI use
- guidance on procurement, privacy, cyber security, records management, transparency, data sovereignty and information governance
- clear arrangements for escalation and assurance of higher-risk applications.

Recommendation 1: The Australian Government should work with state and local government representatives to develop a practical national AI capability program for local government, including shared guidance, training, procurement resources, AI assurance services, reusable risk assessments, model impact assessments, common AI registers, assurance tools, records management and data governance resources, and examples of good practice.

3.2 Consistent governance and responsible adoption

Local government needs sufficient flexibility to innovate, but there is a strong case for common principles, minimum expectations and practical support to enable responsible AI adoption.

The NSW Audit Office has recommended that the NSW Government establish a mandatory framework to guide councils in the responsible implementation of AI, drawing on existing Australian and NSW Government frameworks. WSROC supports this direction.

However, councils need more than high-level principles. They also need the capability, resources and practical tools to translate those principles into effective organisational practice.

A proportionate framework should provide clear expectations around:

- privacy, data governance and data sovereignty
- cyber security
- transparency, disclosure and accountability
- bias, fairness and accuracy
- human oversight
- procurement, vendor assurance and contract management
- records management and intellectual property
- workforce impacts and capability

- monitoring, evaluation, lifecycle governance, model performance review, management of model drift and ongoing assurance.

AI governance should extend beyond deployment. Councils require practical frameworks for monitoring system performance over time, identifying material changes in outputs or behaviour, managing model drift and ensuring assurance activities remain proportionate to risk throughout the lifecycle of AI-enabled systems.

In addition, procurement and vendor assurance should be recognised as critical governance mechanisms for responsible AI adoption. Many councils will access AI capabilities through third-party software providers rather than developing systems internally. As a result, councils need consistent approaches to vendor assessment, due diligence and ongoing assurance. This should include model AI contract clauses, standard vendor disclosure requirements, risk assessment templates and guidance on assessing privacy, security, transparency, data sovereignty and accountability risks associated with AI-enabled products and services.

This should be supported by practical implementation assistance, shared tools and access to expertise that help councils apply governance principles consistently and proportionately.

The objective should not be to create another layer of unnecessary compliance. A common framework, supported by practical implementation assistance, should instead reduce duplication, build capability and give councils confidence to adopt AI applications that are appropriate to their circumstances.

Recommendation 2: The Australian Government should work with states, territories and local government to establish nationally consistent principles, practical guidance and a capability and implementation program to support the responsible adoption of AI by councils, aligned with existing government AI assurance frameworks.

3.3 AI should improve public services without removing public accountability

AI presents opportunities to improve the accessibility, efficiency and responsiveness of local government services. However, the use of AI in government differs from its use in many private-sector contexts because councils make decisions and deliver services that directly affect people's rights, property, safety and quality of life.

WSROC considers that AI should generally be used to augment professional judgement rather than replace accountability. For example, AI may assist with:

- identifying missing information in a development application
- analysing large volumes of community feedback
- identifying infrastructure defects
- providing information to residents
- processing administrative tasks
- identifying patterns in environmental or asset data.

However, consequential statutory, regulatory or service decisions should retain appropriate human oversight. This principle becomes increasingly important as AI tools become more autonomous and capable of taking multi-step actions or providing sophisticated decision-support. Councils should be able to explore these technologies while maintaining clear lines of accountability, human review and governance appropriate to the risk profile of each application.

Emerging council experience demonstrates that AI can support service delivery and administrative processes while retaining appropriate human oversight and accountability. WSROC supports councils continuing to explore these applications, with appropriate safeguards and clear accountability for decisions.

Recommendation 3: National AI policy should establish clear expectations that public-sector AI systems must have proportionate human oversight, accountability and avenues for review, particularly where AI may influence decisions affecting individuals or communities.

3.4 AI can help councils address productivity and service-delivery pressures

Local government is under continuing pressure to deliver more services and infrastructure while managing constrained financial and workforce resources. AI can be considered as part of the broader public-sector productivity agenda. Potential applications include:

- development assessment and planning
- asset management and maintenance
- waste management
- customer service
- emergency management
- environmental monitoring
- document and records management

- data analysis and forecasting
- internal administrative processes.

The strongest applications are likely to be those that address clearly identified operational or service-delivery challenges.

WSROC supports a policy approach that encourages councils to test and evaluate AI applications while maintaining appropriate governance and assurance.

Recommendation 4: The Australian Government should support a program of local government AI pilots and knowledge-sharing, prioritising applications that demonstrate measurable improvements in productivity, public value, service quality, accessibility, transparency or community outcomes.

3.5 Ensuring AI benefits reach suburbs and regions

The Committee's terms of reference specifically identify the opportunity for AI benefits to be spread across Australia's suburbs and regions. Local government has an important role in achieving this objective.

AI capability is likely to be unevenly distributed according to organisational resources, workforce capability, data maturity and access to technology. Without targeted intervention, there is a risk that larger or better-resourced councils will be able to adopt and benefit from AI more quickly than smaller councils.

A national approach should therefore focus not only on regulation but also on equity and capability distribution. Shared procurement arrangements, common platforms, open standards, training, technical assistance and knowledge-sharing could substantially reduce duplication and allow councils to benefit from each other's experience. There may also be value in supporting regional capability hubs, collaborative service models and coordinated procurement approaches that enable councils to access specialist expertise, governance resources and technical support on a shared basis. Such models could improve efficiency, accelerate capability development and ensure the benefits of AI are available across metropolitan, outer-suburban, regional and rural communities.

Recommendation 5: Australian Government's investment in AI adoption should include specific mechanisms to ensure capability and benefits are distributed across metropolitan, outer-suburban, regional and rural councils, including support for regional capability hubs, collaborative service models, coordinated procurement initiatives and inter-council knowledge-sharing.

3.6 Western Sydney and AI infrastructure

Western Sydney provides a particularly important perspective on the physical infrastructure underpinning AI. The rapid growth of data centres is closely connected to Australia's digital economy and AI capability. Western Sydney is already a major location for data centre development due to access to electricity, network connectivity, land and existing digital infrastructure.

The implications of AI infrastructure extend beyond computing capacity alone. Data centre growth has important consequences for energy resilience, water security, heat management, industrial land supply and community acceptance. Planning frameworks should therefore consider cumulative regional impacts alongside national digital infrastructure objectives.

WSROC has previously advocated for a more coordinated approach to data centre planning, noting that growth needs to be matched by planning for supporting infrastructure and management of cumulative impacts, including energy demand, water use, heat generation, noise, visual impacts, e-waste, pressure on industrial land, while identifying opportunities for greater circularity (WSROC, 2026).

Planning should also consider how communities can share in the benefits of major AI infrastructure investment, including through appropriate local infrastructure, employment, skills and other community benefit arrangements.

This issue extends beyond the operation of individual data centres because AI infrastructure has implications for:

- electricity network capacity
- water supply
- land use
- industrial land availability
- local infrastructure
- heat and environmental impacts
- e-waste and end-of-life management
- community amenity
- long-term regional resilience.

WSROC therefore considers that local government should have a formal role in national and intergovernmental planning for AI infrastructure.

Recommendation 6: The Australian Government should ensure local government is formally represented in the development and implementation of national AI infrastructure policy, including planning for large-scale data centres and associated energy, water and infrastructure requirements.

3.7 AI procurement and vendor assurance

For many councils, AI adoption will occur through the procurement and ongoing management of technology services rather than through the development of AI systems internally. Increasingly, AI capabilities are being integrated into software products and cloud-based services used by local government, including customer service platforms, enterprise systems, planning tools, asset management systems and workplace productivity applications.

Councils need sufficient visibility of how AI is used within procured products, including data handling arrangements, safeguards, circularity impacts and accountability measures. But many councils lack specialist procurement and technical expertise to assess AI-related risks.

The rapid emergence of AI capability within a relatively small number of global technology platforms also raises questions regarding market concentration, vendor lock-in and long-term digital sovereignty. Councils would benefit from procurement approaches that encourage interoperability, open standards and competition while also supporting the development of Australian AI capability and innovation ecosystems.

A consistent national approach could reduce duplication and improve procurement outcomes across local government by supporting:

- model AI procurement clauses and contract provisions
- standard vendor disclosure and assurance requirements
- risk assessment and due diligence templates
- guidance on privacy, security, records management and data sovereignty considerations
- guidance on managing AI functionality embedded within existing software products
- guidance on copyright, intellectual property ownership and liability relating to AI-generated outputs
- common approaches to transparency, auditing and ongoing monitoring of AI-enabled services.

AI literacy should extend beyond the operational use of AI tools to include procurement, contract management, risk assessment and vendor oversight, enabling councils to procure and manage AI-enabled services responsibly.

In addition, councils require greater certainty regarding ownership, permitted use and potential infringement risks associated with AI-generated content, particularly where outputs contribute to public communications, planning documents, reports or other official records.

Recommendation 7: The Australian Government should work with state and local government representatives to develop national AI procurement and vendor assurance resources for local government, including model contract clauses, vendor disclosure requirements, risk assessment templates, due diligence guidance and practical procurement support.

3.8 Workforce and skills

AI will change the way council employees undertake many tasks. The policy objective should not simply be to maximise automation, but to improve productivity while maintaining service quality, professional capability and employment pathways.

Councils will require staff with sufficient AI literacy to:

- understand the limitations of AI systems
- identify inappropriate or unreliable outputs
- protect sensitive information
- assess privacy and cyber security risks
- use AI tools effectively
- maintain appropriate professional judgement
- assess AI-related procurement and vendor risks
- manage contracts and monitor vendor compliance with governance, privacy and security requirements.

Responsible AI adoption requires investment in both AI literacy and broader organisational capabilities, including procurement, vendor assurance, contract management and data governance.

Recommendation 8: Australian and state government AI programs should include dedicated investment in local government workforce capability, including AI literacy, professional development, procurement and vendor assurance capability, contract management skills, and workforce transition.

4. Conclusion

AI presents significant opportunities for Australian local government and the communities it serves. Councils are already using AI to improve planning, customer service, asset management and administrative processes. However, adoption remains at an early stage, and councils face significant challenges in developing the governance, skills, data and technology capability required to adopt AI safely and effectively.

Local government should be recognised as a key partner in Australia's AI transition. The Australian Government can support responsible adoption through practical capability-building, proportionate governance frameworks and targeted support for innovation.

At the same time, the physical infrastructure supporting AI, particularly large-scale data centres, requires greater consideration of local impacts and stronger coordination between Australian, state and local governments.

A successful Australian AI strategy should therefore not only ask what AI can do, but also where its benefits and impacts will be experienced, who has the capacity to adopt it, and how communities will retain confidence in the systems that increasingly shape public services and places.

WSROC looks forward to working constructively with the Australian Government on the development of AI-related reforms.

For further information or to discuss matters raised in this submission please contact the WSROC office:

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