

Artificial Intelligence (AI) Policy Template

For Housing Associations and Local Authorities

Executive Summary

This policy template provides a governance framework for the responsible adoption and use of artificial intelligence tools within social housing organisations. It addresses strategic, regulatory, and operational considerations for boards and executive teams evaluating AI solutions, including subscription services like HousingAI.

Strategic Context: AI tools offer significant potential to enhance regulatory compliance, knowledge management, and operational efficiency in an increasingly complex regulatory environment. However, adoption requires robust governance, clear accountability, and careful consideration of data protection, equality, and transparency obligations.

1. Policy Purpose and Scope

1.1 Purpose

This policy establishes the framework for:

- **Governance and accountability** for AI system adoption and use
- **Risk management** relating to data protection, bias, and decision-making
- **Compliance** with UK GDPR, Data Protection Act 2018, Equality Act 2010, and sector-specific regulations
- **Transparency and explainability** in AI-assisted processes
- **Board assurance** on responsible AI use

1.2 Scope

This policy applies to:

- All AI tools and systems used by the organisation, including:
 - Generative AI platforms (e.g., HousingAI, Microsoft Copilot, ChatGPT)
 - Decision-support systems
 - Automated processing tools
 - Predictive analytics and machine learning applications
- All staff, contractors, and board members using AI tools in their work
- All functions where AI may be deployed (policy development, compliance, tenant services, asset management, etc.)

1.3 Definitions

Artificial Intelligence (AI): Systems that perform tasks typically requiring human intelligence, including natural language processing, pattern recognition, and decision support.

Generative AI: AI systems that create content (text, images, code) based on prompts and training data.

Automated Decision-Making: Decisions made solely by automated means without human intervention, as defined in Data Protection Act 2018, Section 14.

Significant Decision: A decision that produces legal effects or similarly significantly affects an individual (Data Protection Act 2018, Section 49).

2. Regulatory and Legal Framework

2.1 Data Protection Obligations

Legal Basis: Data Protection Act 2018 and UK GDPR establish requirements for:

- **Automated decision-making safeguards** (DPA 2018, Sections 14, 49-50A):
 - Where AI systems make or contribute to significant decisions about individuals, safeguards must include:
 - Information provision to data subjects
 - Right to human intervention
 - Right to contest decisions
 - Meaningful reconsideration processes
- **Lawful processing:** AI use must have a lawful basis under UK GDPR Article 6, typically:
 - Public task (Article 6(1)(e)) for statutory functions
 - Legitimate interests (Article 6(1)(f)) for operational improvements
 - Consent where appropriate
- **Data minimisation and purpose limitation:** AI systems must only process data necessary for specified purposes
- **Security and confidentiality:** Appropriate technical and organisational measures required (UK GDPR Article 32)

Board Question: *Have we identified all AI systems that involve automated decision-making about tenants, applicants, or staff? Do we have appropriate safeguards in place?*

2.2 Equality and Non-Discrimination

Legal Basis: Equality Act 2010, Section 149 (Public Sector Equality Duty)

Public authorities must have **due regard** to:

- Eliminating discrimination, harassment, and victimisation
- Advancing equality of opportunity
- Fostering good relations between groups with protected characteristics

AI-Specific Considerations:

- AI systems can perpetuate or amplify bias present in training data
- Algorithmic decision-making may have disparate impact on protected groups
- Equality impact assessments required before deploying AI in decision-making processes

Board Question: *How do we assure ourselves that AI tools do not introduce or amplify discrimination? What is our process for equality impact assessment of AI systems?*

2.3 Transparency and Accountability

While no specific "AI Act" exists in UK law, transparency obligations arise from:

- **UK GDPR Article 13-14:** Right to information about automated decision-making
- **Regulatory expectations:** RSH Consumer Standards (Transparency, Influence and Engagement Standard) require clear communication with tenants
- **Common law duties:** Public authorities must act reasonably and fairly

Board Question: *Can we explain to tenants, regulators, and the Ombudsman how AI tools influence decisions affecting them?*

3. Governance Framework

3.1 Board Oversight

Board Responsibilities:

- Approve AI adoption strategy and risk appetite
- Receive regular assurance on AI governance and compliance
- Ensure adequate resources for responsible AI implementation
- Oversee equality impact and tenant engagement on AI use

Reporting to Board:

- Annual AI governance report covering:
 - Inventory of AI systems in use
 - Data protection and equality compliance status
 - Risk register and mitigation measures
 - Incidents, complaints, or regulatory concerns
 - Value realisation and benefits tracking

3.2 Executive Accountability

Designated Senior Officer: [Chief Executive / Director of Resources / Chief Digital Officer] accountable for:

- Overall AI governance framework
- Compliance with this policy
- Escalation of significant risks to Board

AI Governance Group: Cross-functional group including:

- Data Protection Officer (mandatory member)
- IT/Digital lead
- Legal/Governance lead
- Equality and Diversity lead
- Service delivery representatives
- Tenant representative (where appropriate)

Terms of Reference:

- Review and approve AI tool adoption proposals
- Monitor compliance with policy
- Oversee equality impact assessments
- Manage AI-related risks
- Coordinate training and awareness

3.3 Procurement and Vendor Management

Due Diligence Requirements:

Before subscribing to or procuring AI tools (including HousingAI), the organisation must:

1. **Data Protection Assessment:**
 - Where is data processed and stored? (UK/EU preferred)

- What data does the vendor access?
 - Is data used to train AI models? (Must be prohibited for tenant/staff data)
 - What security certifications does vendor hold? (ISO 27001, Cyber Essentials Plus)
 - Data Processing Agreement compliant with UK GDPR
2. **Functionality Assessment:**
- What decisions or processes will AI support?
 - Does it involve automated decision-making about individuals?
 - What human oversight is built in?
 - Can outputs be explained and verified?
3. **Equality Impact:**
- Has vendor conducted bias testing?
 - What is the demographic composition of training data?
 - Are there known limitations or risks for protected groups?
4. **Vendor Governance:**
- What is vendor's AI ethics framework?
 - How are model updates managed and communicated?
 - What incident response and liability provisions exist?

Board Question: *What is our risk appetite for AI tools that process tenant data? What are our red lines in vendor selection?*

4. Acceptable Use Framework

4.1 Permitted Uses

AI tools may be used for:

Knowledge and Research:

- Understanding regulations, legislation, and sector guidance
- Policy development and benchmarking
- Research and evidence gathering
- Training and professional development

Operational Support:

- Drafting documents (subject to human review)
- Summarising information
- Translating technical content for different audiences
- Identifying relevant case law or regulatory requirements

Decision Support:

- Analysing options and trade-offs
- Risk assessment support
- Compliance gap analysis
- Data pattern identification

Critical Requirement: All AI-assisted outputs must be **reviewed, verified, and approved by a competent human** before use in decision-making or external communication.

4.2 Prohibited Uses

AI tools must **not** be used for:

- **Sole automated decision-making** about individuals (tenants, applicants, staff) without human oversight and safeguards
- **Processing sensitive personal data** (health, ethnicity, religion, etc.) without explicit legal basis and safeguards
- **Replacing professional judgment** in areas requiring regulated expertise (e.g., legal advice, safeguarding decisions)
- **Creating final versions** of board papers, regulatory submissions, or legal documents without human verification
- **Bypassing established approval processes** or governance controls

4.3 Data Input Restrictions

Staff must not input into AI tools:

- Personal data about identifiable individuals (names, addresses, tenant references)
- Confidential commercial information
- Legally privileged material
- Safeguarding or sensitive case information
- Passwords, credentials, or security information

Exception: Where AI tool is specifically procured with appropriate data processing agreements and security controls (e.g., organisational subscription with data protection guarantees).

5. Risk Management

5.1 AI Risk Register

The organisation maintains a risk register covering:

Risk Category	Description	Mitigation
Data Protection Breach	Unauthorised disclosure of personal data through AI tool	Data input restrictions; DPA with vendors; staff training
Algorithmic Bias	AI outputs discriminate against protected groups	Equality impact assessment; human oversight; bias monitoring
Inaccurate Outputs	AI "hallucinations" or errors lead to poor decisions	Verification requirements; source citation checking; expert review
Regulatory Non-Compliance	AI use breaches GDPR, Equality Act, or sector regulations	Governance framework; legal review; DPO oversight
Reputational Damage	Tenant or media concerns about AI use	Transparency; tenant engagement; clear communication
Over-Reliance	Staff defer judgment to AI without critical thinking	Training; culture of professional skepticism; audit trails
Vendor Failure	AI service provider ceases operation or changes terms	Contract provisions; exit strategy; alternative suppliers

5.2 Equality Impact Assessment

Mandatory for:

- AI tools used in tenant-facing decisions (allocations, repairs prioritisation, ASB case management)

- Automated processing of applications or requests
- Predictive analytics affecting service delivery

Assessment must consider:

- Potential disparate impact on protected groups
- Accessibility of AI-assisted services
- Transparency and explainability for affected individuals
- Mitigation measures and monitoring arrangements

5.3 Incident Management

AI-related incidents (data breaches, discriminatory outputs, significant errors) must be:

- Reported immediately to Data Protection Officer and designated senior officer
- Logged in corporate risk/incident system
- Investigated with root cause analysis
- Reported to ICO within 72 hours if personal data breach
- Reviewed by AI Governance Group with lessons learned

6. Transparency and Explainability

6.1 Tenant-Facing Transparency

Where AI tools influence decisions affecting tenants, the organisation will:

- **Inform tenants** that AI is used, in plain language
- **Explain the role** of AI (e.g., "We use AI to help draft policies, but all decisions are made by trained staff")
- **Provide human contact** for questions or concerns
- **Ensure human review** of AI-assisted decisions
- **Maintain audit trails** showing human oversight

Example Statement for Tenant Communications:

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6.2 Regulatory Transparency

The organisation will:

- Disclose AI use to Regulator of Social Housing in self-assessments where material to compliance
- Provide information to Housing Ombudsman on AI use in complaint investigations where relevant
- Maintain records of AI systems for ICO audits or data protection impact assessments

6.3 Internal Audit Trail

For AI-assisted decisions, maintain records of:

- AI tool used and version
- Prompt/query submitted
- Output received
- Human review and verification conducted
- Final decision and rationale

- Approval by competent officer
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7. Training and Competence

7.1 Mandatory Training

All staff using AI tools must complete training covering:

- This AI policy and acceptable use
- Data protection obligations and input restrictions
- Recognising and mitigating bias
- Verification and fact-checking requirements
- Escalation procedures for concerns

7.2 Role-Specific Competence

Board Members:

- Strategic briefing on AI governance and risk
- Understanding of regulatory obligations
- Assurance framework and reporting

Senior Managers:

- AI governance responsibilities
- Equality impact assessment process
- Incident management

Frontline Staff:

- Practical use of approved AI tools
- When AI can and cannot be used
- Data protection and confidentiality

Specialists (IT, Legal, DPO):

- Technical AI governance
 - Vendor assessment
 - Compliance monitoring
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8. Specific Guidance: Subscription AI Services (e.g., HousingAI)

8.1 Strategic Decision Framework

When evaluating subscription to specialist AI services like HousingAI, boards should consider:

Value Proposition:

- Does it address genuine knowledge gaps or capacity constraints?
- What is the return on investment? (time saved, compliance improvement, risk reduction)
- How does it compare to alternatives (consultancy, additional staff, training)?

Regulatory Compliance:

- Is the service designed for UK social housing regulatory context?
- Does it include RSH standards, Housing Ombudsman guidance, relevant legislation?
- Are outputs appropriately caveated (information not legal advice)?

Data Protection:

- Where is data processed? (UK-based preferred for housing data)
- Is end-to-end encryption provided?
- Is data used to train AI models? (Must be prohibited)
- What data processing agreement is in place?

Governance and Control:

- Can we audit what questions staff ask and outputs received?
- Can we restrict use to certain teams or functions?
- What controls prevent inappropriate data input?
- How are updates and changes to the AI model managed?

Integration and Adoption:

- How does it integrate with existing systems (e.g., Microsoft Teams)?
- What change management and training is required?
- What is the exit strategy if we discontinue?

Equality and Bias:

- Has the vendor conducted bias testing?
- What is the diversity of knowledge sources and training data?
- Are there mechanisms to flag potentially discriminatory outputs?

8.2 Board Assurance Questions for HousingAI Subscription

Before approving subscription:

5. **Strategic Fit:** How does this tool support our corporate priorities and regulatory compliance strategy?
6. **Risk vs. Benefit:** What risks does this introduce, and are they proportionate to benefits?
7. **Due Diligence:** Have we completed data protection, equality, and vendor assessments?
8. **Governance:** Who is accountable for oversight? What reporting will the board receive?
9. **Tenant Impact:** Could this affect tenant-facing decisions? If so, what safeguards are in place?
10. **Alternatives:** Have we considered other approaches to achieving the same outcomes?
11. **Exit Strategy:** What happens if the service fails or we need to discontinue?

8.3 Implementation Checklist

- Data Protection Impact Assessment completed and reviewed by DPO
- Data Processing Agreement signed with vendor
- Equality Impact Assessment completed
- Acceptable use guidance issued to staff
- Training programme delivered
- Audit trail and monitoring arrangements established
- Incident reporting process communicated
- Tenant transparency statement prepared (if applicable)
- Board briefing and approval obtained
- Review date set (recommend 12 months post-implementation)

9. Monitoring and Review

9.1 Ongoing Monitoring

AI Governance Group monitors:

- Usage patterns and adoption rates
- Incidents, errors, or complaints
- Equality impact data
- Compliance with acceptable use policy
- Value realisation against business case

9.2 Annual Review

This policy will be reviewed annually, or sooner if:

- Significant regulatory changes occur
- New AI systems are adopted
- Incidents or complaints arise
- Regulatory guidance is issued (e.g., by ICO, RSH)

Annual review considers:

- Effectiveness of governance framework
- Emerging risks and best practice
- Staff feedback and training needs
- Tenant concerns or engagement findings
- Regulatory developments

9.3 Audit and Assurance

Internal audit programme includes:

- Compliance with AI policy
- Data protection controls
- Equality impact monitoring
- Verification of human oversight in decision-making
- Vendor management and contract compliance

10. Roles and Responsibilities Summary

Role	Responsibility
Board	Approve policy and strategy; receive assurance; oversee risk appetite
Chief Executive / Designated Senior Officer	Overall accountability for AI governance
AI Governance Group	Operational oversight; approve AI tool adoption; monitor compliance
Data Protection Officer	Advise on GDPR compliance; conduct DPIAs; monitor data protection risks
Equality Lead	Conduct equality impact assessments; monitor bias and discrimination risks
IT/Digital Lead	Technical due diligence; security controls; vendor management
Legal/Governance Lead	Regulatory compliance; contract review; policy interpretation
All Staff	Comply with acceptable use; complete training; report concerns

11. Related Policies and Documents

This policy should be read alongside:

- Data Protection Policy
- Information Security Policy
- Equality and Diversity Policy
- Social Media and Digital Communications Policy
- Procurement Policy
- Risk Management Framework

12. Policy Approval and Review

Version	Date	Approved By	Next Review
1.0	[Date]	[Board]	[Date + 12 months]

Appendix A: Glossary of AI Terms

Algorithm: A set of rules or instructions that a computer follows to solve a problem or complete a task.

Bias: Systematic errors in AI outputs that unfairly discriminate against certain groups.

Generative AI: AI that creates new content (text, images, code) based on patterns learned from training data.

Hallucination: When AI generates plausible-sounding but factually incorrect information.

Large Language Model (LLM): AI trained on vast amounts of text to understand and generate human-like language (e.g., GPT-4).

Machine Learning: AI systems that improve performance through experience without being explicitly programmed.

Prompt Engineering: The skill of crafting effective questions or instructions to get useful outputs from AI.

Training Data: The information used to teach an AI system, which influences its outputs and potential biases.

Appendix B: AI Tool Assessment Template

Tool Name: _____
Vendor: _____
Proposed Use: _____

Assessment Checklist

Data Protection:

- Data processing location identified (UK/EU/Other)
- Data Processing Agreement reviewed and approved by DPO

- Security certifications verified
- Data retention and deletion provisions confirmed
- Confirmation data not used for model training

Equality Impact:

- Equality Impact Assessment completed
- Bias testing conducted by vendor
- Mitigation measures identified
- Monitoring arrangements established

Governance:

- Designated accountable officer identified
- Acceptable use guidance prepared
- Training plan developed
- Audit trail arrangements confirmed
- Incident reporting process established

Regulatory Compliance:

- Legal review completed
- Compliance with UK GDPR confirmed
- Compliance with Equality Act confirmed
- Sector-specific regulatory considerations addressed

Commercial:

- Business case approved
- Contract terms reviewed
- Exit provisions confirmed
- Budget approved

Approval:

- AI Governance Group approval: Date __
- Executive approval: Date __
- Board approval (if required): Date __

Appendix C: Prompt Engineering Best Practices

When using AI tools like HousingAI, effective prompts include:

Context: "I am a [role] at a [type/size] housing association..."

Objective: "I need to [specific task] in order to [purpose]..."

Constraints: "This must comply with [regulation/standard] and be suitable for [audience]..."

Format: "Please provide [format: bullet points, table, draft policy section]..."

Iteration: Follow up with refinements: "Can you expand on...", "Make this more suitable for...", "What are the risks of..."

Example:

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Strategic Commentary for Boards

Why This Matters

AI is not a distant future concern—it is already being used across the sector, often informally through free tools like ChatGPT. The question is not whether AI will be used, but whether it will be governed responsibly.

Key Board Considerations:

12. **Regulatory Risk:** Uncontrolled AI use creates data protection, equality, and transparency risks. The ICO and Housing Ombudsman are increasingly alert to algorithmic decision-making.
13. **Opportunity Cost:** Well-governed AI can significantly enhance compliance, knowledge management, and efficiency in a resource-constrained environment. Organisations that fail to adopt may fall behind.
14. **Tenant Trust:** Transparency about AI use, with clear human oversight, can build confidence. Secretive or unexplained AI use erodes trust.
15. **Workforce Development:** AI augments professional roles but requires new skills. Investment in training and change management is essential.
16. **Vendor Lock-In:** Subscription AI services create dependencies. Boards should understand exit strategies and alternatives.

Questions Boards Should Ask Executives

- **Inventory:** What AI tools are currently being used in our organisation, formally or informally?
- **Governance:** Who is accountable for AI governance, and what assurance do we receive?
- **Data Protection:** Have we assessed all AI use for GDPR compliance? What does our DPO say?
- **Equality:** Have we conducted equality impact assessments for AI in tenant-facing processes?
- **Transparency:** Can we explain to tenants and regulators how AI influences decisions?
- **Value:** What is the business case for AI investment? How do we measure benefits?
- **Risk Appetite:** What is our tolerance for AI-related risks, and are current controls aligned?

Trade-Offs and Decisions

Permissive vs. Restrictive Approach:

- **Permissive:** Encourage innovation and efficiency gains, but higher risk of misuse or compliance breaches
- **Restrictive:** Minimise risk but may stifle beneficial use and create shadow IT

Recommendation: Start with clear governance and approved tools (like sector-specific platforms), then expand as competence grows.

Build vs. Buy:

- **Build:** Greater control and customisation, but requires significant technical resource
- **Buy:** Faster deployment and specialist expertise, but vendor dependency

Recommendation: For most housing providers, specialist subscription services (like HousingAI) offer better value than building in-house, provided robust vendor due diligence is conducted.

Transparency vs. Competitive Advantage:

- **Transparency:** Builds trust with tenants and regulators, but may reveal operational details
- **Competitive Advantage:** Keeping AI use confidential may provide edge, but creates reputational risk

Recommendation: Default to transparency, especially for tenant-facing AI use. The sector benefits from shared learning.

This template provides a foundation for responsible AI governance. Organisations should adapt it to their specific context, risk appetite, and regulatory environment. Legal and data protection advice should be sought before finalising and implementing this policy.