

State of the Sector: Australian IT Modernisation and Cloud 2025

Beyond Legacy: Future-Ready Leadership and
the Technologies Defining Digital Government

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What Defines the Modernisation of Public Sector?

In a world increasingly driven by technology, the public sector stands at the cusp of a transformative shift—one fuelled by the unparalleled potential of future computing. The digital age presents a “once-in-a-generation” opportunity to redefine how governments serve their citizens, ensuring services are not only efficient and accessible but also intuitive and transformative. This white paper delves into the strategic imperatives, challenges, and immense benefits of ICT modernisation, with a focus on its role in reshaping public sector operations.

ICT modernisation is far more than a technical upgrade; it represents a paradigm shift in how governments operate. At their core, trends like cloud adoption enable unprecedented efficiency and agility, allowing agencies to dynamically scale services, break down data silos, and leverage real-time decision-making. These capabilities empower governments to respond to crises like natural disasters with resilience and efficiency, while ensuring routine citizen interactions are seamless. Imagine renewing a passport in minutes or accessing government services as effortlessly as ordering a coffee—this is the promise of modernised public services.

However, the journey is neither simple nor devoid of challenges. Public sector organisations often contend with decades-old legacy systems, complex migration processes, and significant cultural and skill gaps. Over 60% of cloud migrations falter due to inadequate planning, unforeseen costs, and misaligned objectives. Addressing these barriers requires pragmatic planning, robust leadership, and a commitment to long-term value creation rather than short-term cost-cutting.

Leadership is paramount in driving this transformation. A clear strategic vision, coupled with strong communication, ensures alignment across teams and fosters a mindset shift among employees. For example, a data analyst transitioning to cloud workflows can experience dramatic efficiency gains, completing tasks in minutes that once took days. These success stories underscore the potential of the cloud to not only transform operations but also elevate the workforce.

Moreover, ICT modernisation and cloud adoption facilitate enhanced productivity, resilience, and citizen satisfaction. Real-time collaboration across departments accelerates decision-making, while automation and advanced technologies like artificial intelligence revolutionise public services. Examples such as the UK Home Office doubling passport processing capacity highlight the tangible benefits of embracing the cloud. Disaster recovery capabilities and enhanced security measures ensure uninterrupted service delivery, even in the face of cyberattacks or natural disasters. Most importantly, cloud-powered services prioritise the citizen experience—offering transparency, accountability, and ease of access akin to commercial platforms.

Despite these advantages, navigating the complexities of infrastructure upgrades, cloud migration, and emerging technology requires a strategic approach. Organisations must craft compelling business cases with well-defined objectives, focusing on long-term impacts over immediate gains. Addressing legacy systems and technical debt head-on, coupled with upskilling employees and fostering an adaptable culture, is critical to success. By learning from past failures and adhering to industry best practices, public sector agencies can mitigate risks and optimise outcomes.

As we look to the future, the cloud-driven ICT offer governments an unparalleled opportunity to innovate and lead. It has the potential to drive citizen-centric designs where government services are efficient, transparent, and even enjoyable. Shared solutions like digital identity and data mesh frameworks break down inter-agency barriers, creating unified government services that work seamlessly together.

The call to action is clear: governments must embrace this transformative journey with courage and ambition. By leveraging the cloud effectively, public sector organisations can achieve agility and innovation comparable to tech startups, while retaining the scale and reach that define their operations. The impact is profound—millions of lives improved through better, faster, and more responsive services.

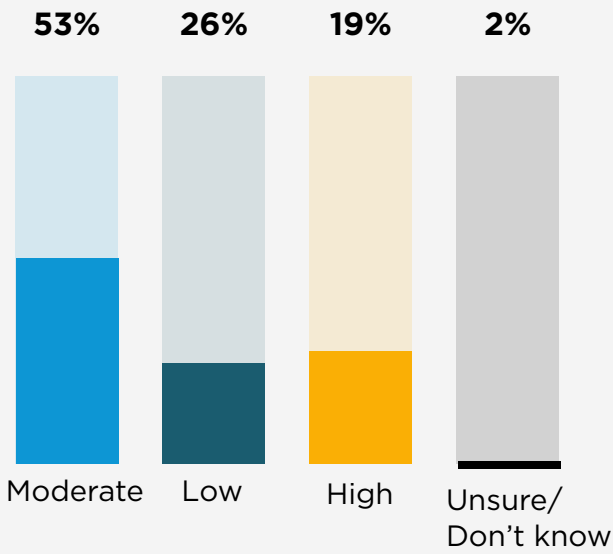
This white paper seeks to illuminate the path forward, offering insights, strategies, and real-world examples to guide public sector leaders in their ICT modernisation journeys, where the promise of technology translates into meaningful outcomes for every citizen.



Digital Literacy and Readiness to Modernise Services

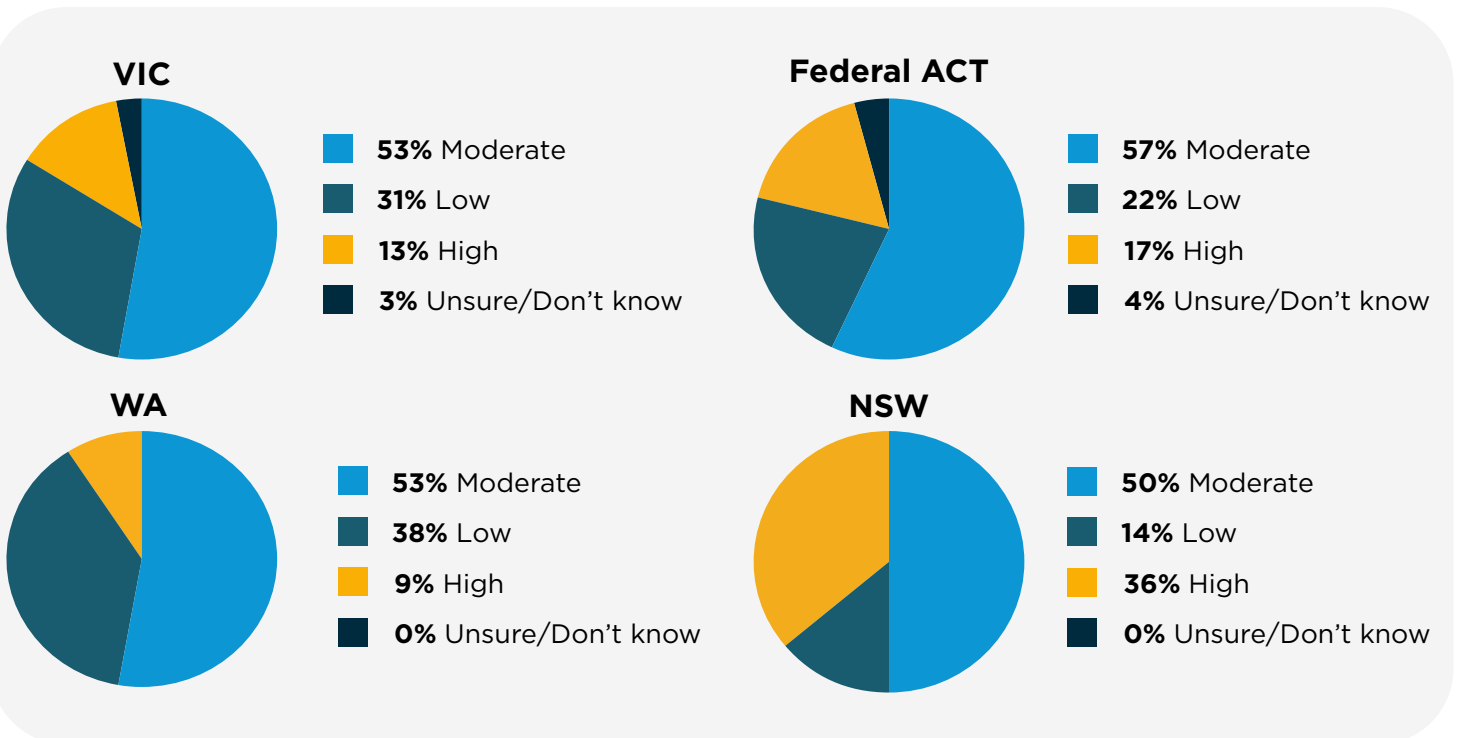
Digital literacy has become a cornerstone of modern service delivery, of particular concern to the public sector as governments worldwide strive to meet rising expectations of digitally savvy citizens. The ability of employees to effectively use digital tools and technologies can significantly impact the success of not just transformation initiatives, but core operations of a modern service agency. Ensuring a digitally competent workforce is essential for optimising internal processes but also for enhancing public service delivery and organisational resilience.

Figure 1. National Average: How do you assess the current level of digital literacy among your organisation's employees?



As illustrated in Figure 1, just over half of the surveyed respondents (53%) rate their organisation's digital literacy levels at moderate levels, highlighting a broad recognition of the need for improvement. Meanwhile, a notable 26% identify their employees' digital literacy as low, pointing to a potential gap in the foundational skills required to succeed in increasingly modern digital environments. With only 19% reporting high digital literacy, a deeper analysis of state-level results reveals further nuances and variations in benchmarks for digital literacy across regions:

Figure 2. State by State: How do you assess the current level of digital literacy among your organisation's employees?



Source: Public Sector Network ICT Modernisation Survey 2024. Total Sample: 115 AU Gov Executives

Why the Skill Disparity? The varied levels of digital proficiency and make-up of the public sector workforce creates challenges in standardising processes and implementing digital transformation initiatives with speed.

1. **Resistance to Change:** Employees with limited digital skills or legacy ways of working may resist adopting new technologies, slowing organisational progress.
2. **Resource Constraints:** Budgetary limitations in the public sector often restrict the availability of training programs and access to modern digital tools.

Tying Measurable Outcomes and Cultural Transformation to Digital Literacy

Across the Public Sector Network ICT Modernisation Roadshow, senior government officials and speakers touted modernisation efforts must focus on delivering measurable outcomes. Reduced operational costs, enhanced service delivery, and improved user satisfaction all become key benchmarks to communicate. By embedding digital fluency across all levels, organisations empower teams to adopt and maximise applicability of new technologies in relation to tangible impacts. Change management strategies, supported by clear communication and incremental wins, sustain momentum and ensure alignment with organisational values.

A culture of curiosity, collaboration, and resilience strengthens the foundation for modernisation. By fostering innovation and reducing resistance to change, demonstrated by successive technology projects making impactful use of resources, organisations can ensure long-term success in driving ICT transformation.

Recommendations

To bridge the digital literacy gap and enhance workforce readiness, public sector organisations should consider the following strategies:

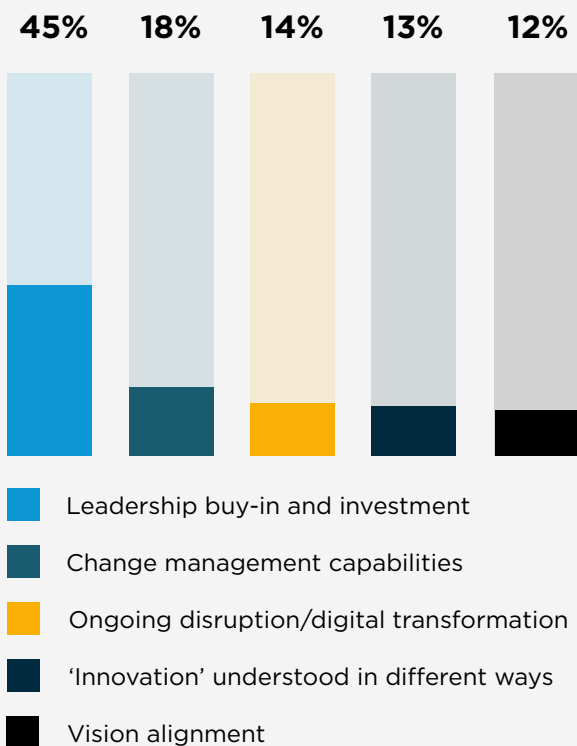
1. **Conduct Comprehensive Skills Assessments:** Evaluate current digital competencies across teams to identify specific areas requiring improvement.
2. **Implement Tailored Training Programs:** Develop modular training initiatives that address skill gaps while accommodating diverse learning styles and schedules.
3. **Promote a Culture of Continuous Learning:** Encourage ongoing professional development through recognition programs, mentorship, and access to online learning resources.
4. **Adopt User-Friendly Technology:** Ensure that digital tools and platforms are intuitive and supported by robust onboarding processes to ease adoption.
5. **Measure and Monitor Progress:** Regularly assess the impact of training programs and adjust strategies based on employee feedback and performance metrics.



The Rising Call for Public Sector Innovation

Innovation is the lifeblood of progress, where agencies face mounting pressure to deliver better services with constrained resources and solve old problems in new ways. A culture of innovation—where creative ideas are encouraged, tested, and implemented—is vital for driving operational excellence and meeting evolving public expectations. However, fostering such a culture is fraught with challenges, many of which are deeply entrenched in organisational structures and mindsets. Understanding and addressing these barriers is key to unlocking the potential of innovation within public sector agencies.

Figure 3. What are the biggest barriers you've come up against in trying to build a culture of innovation in your agency?



Source: Public Sector Network ICT Modernisation Survey 2024. Total Sample: 114 AU Gov Executives

Leadership and Team Engagement

Driving sustainable technology transformation requires a strategic blend of leadership, team engagement, and adaptability. As shown in figure 2, central to this effort is the role of effective project sponsorship, where leaders consistently reinforce the vision and actively support staff through change.

It's not that the entire public sector workforce needs to be a complete set of innovators, it's simply that the environment needs to be able to host and benefit from pioneering innovation, and entrepreneurship, rather than impede it.

Leading-edge Chief Information Officers came forward throughout the Public Sector Network ICT Modernisation Roadshow with common examples of building a champions' network to foster grassroots advocacy, empowering trusted individuals to drive transformation from within. Effective leadership also hinges on balancing standardisation with flexibility to respect diverse work styles while aligning with organisational goals.

Cultural transformation underpins success, requiring collaboration, trust-building, and active participation from all levels. Engagement strategies that build social capital—such as visible investment in colleagues and storytelling—further strengthen momentum and buy-in.

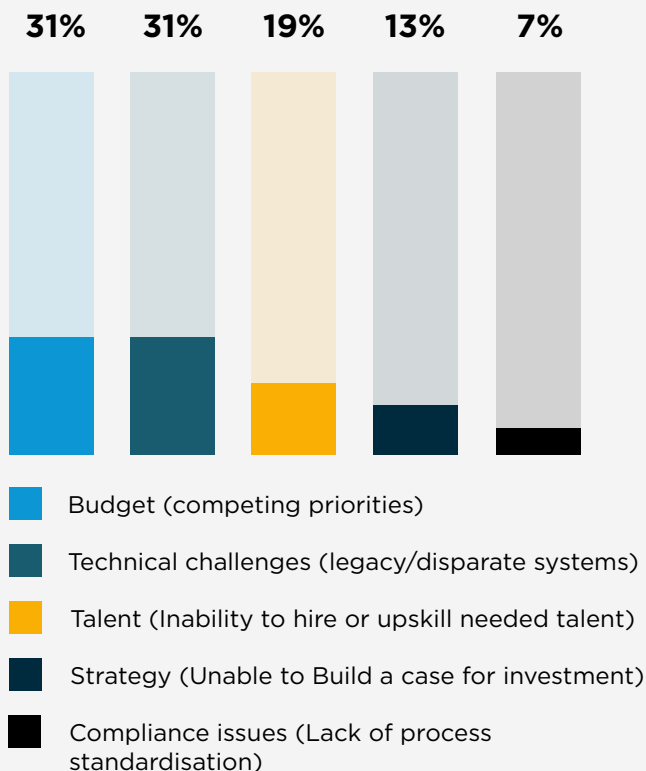
Recommendations for Cultivating Innovation

- 1. Embed Innovation into Organisational Values:** Make innovation a core part of the agency's mission and values, ensuring it is reflected in decision-making processes and employee performance metrics.
- 2. Establish Innovation Hubs:** Create dedicated spaces or teams tasked with brainstorming, testing, and scaling innovative ideas.
- 3. Recognise and Reward Innovation Efforts:** Celebrate successes and acknowledge contributions to build momentum and sustain enthusiasm.

A Compounding Set of Barriers to Tech in Public Sector

The adoption of new technologies has become a strategic imperative for public sector organisations aiming to enhance efficiency, improve service delivery, and adapt to evolving citizen expectations. However, implementing these technologies is no small feat. Challenges such as budget constraints, technical limitations, and workforce readiness often hinder the successful execution of digital transformation initiatives. Addressing these barriers is critical to unlocking the potential of modern technologies and driving meaningful change within public agencies.

Figure 4. What is the biggest challenge you've faced in successfully implementing new technologies?



Source: Public Sector Network ICT Modernisation Survey 2024. Total Sample: 117 AU Gov Executives

The results of figure 4 pose a double threat, where a vicious cycle of budget and legacy inhibit digital growth and technological advancement:

1. Managing Budget Constraints

Budget challenges, often exacerbated by the cyclical nature of political and funding cycles, are not just obstacles but inherent features of government services. To address these compounding issues and the need to do more with less, leading public sector ICT leaders are capitalising on common heuristics including:

- **Prioritise high-impact initiatives:**

Focus investments on projects with the greatest potential for operational improvement and citizen benefit to garner treasury and political support.

- **Leverage innovative funding opportunities:**

Explore pooled funds, public-private partnerships, and cost-sharing models to reduce financial burdens.

- **Demonstrate ROI:**

Build a compelling business case by highlighting potential cost savings, efficiency gains, and service improvements.

2. Resolving Technical Challenges

Legacy systems and incompatible technologies disrupt a high number of government departments even despite digital maturity measures. Verified strategies to navigate the untenable scale of modernisation in these areas include:

- **Adopt a phased approach:**

Gradually replace outdated systems with modern, scalable solutions to minimise disruptions.

- **Invest in interoperability:**

Implement middleware and APIs to facilitate communication between disparate systems.

- **Collaborate with technology providers:**

Engage vendors to customise solutions that address specific technical needs and constraints.

In Tandem: Governance Frameworks and Structured Guidance

Strategic governance frameworks provide the backbone for effective modernisation. Structures like ICT Project Delivery Frameworks, AI Assurance Frameworks, and Benefit Realisation Frameworks offer agencies a roadmap to align technology investments with organisational priorities. Incremental modernisation—targeting high-impact areas first—ensures continuity while delivering measurable value.

Scenario planning and application portfolio matrices help articulate risks and prioritise system upgrades. Stakeholder collaboration ensures modernisation efforts remain aligned with business needs, while shared service models reduce duplication and foster resource pooling.

Recommendations for Successful Technology Adoption

1. Develop a Comprehensive Implementation Plan:

Outline clear goals, timelines, and resource requirements to guide technology projects.

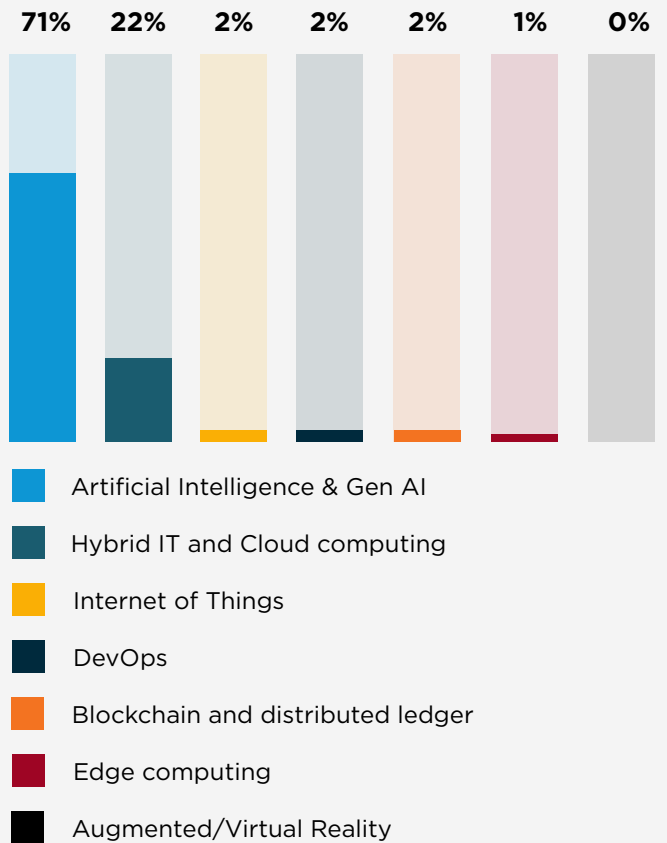
2. Leverage Pilot Programs: Test technologies on a small scale before full deployment to identify and resolve potential issues.

3. Continuously Monitor and Evaluate: Use performance metrics to assess the effectiveness of technology initiatives and inform future decisions.

When Emerging Tech Becomes Essential

Emerging technologies have revolutionised how public sector organisations operate, enabling them to enhance efficiency, deliver innovative services, and meet rising citizen expectations. By adopting cutting-edge tools such as Artificial Intelligence (AI), cloud computing, and the Internet of Things (IoT), governments can better address challenges ranging from resource constraints to complex service demands. Among these technologies, some hold greater potential to transform the public sector landscape, offering unprecedented opportunities for growth and operational excellence.

Figure 5. Which emerging technology do you believe holds the most potential for transforming public sector services?



Source: Public Sector Network ICT Modernisation Survey 2024. Total Sample: 120 AU Gov Executives



Artificial Intelligence & Generative AI

Topping the list in figure 5, AI and generative AI have emerged as game-changers in public sector operations. Key applications include:

- **Predictive Analytics:** AI algorithms can analyse historical data to forecast trends, enabling proactive policy-making and resource allocation.
- **Citizen Engagement:** Chatbots and virtual assistants powered by AI improve accessibility and responsiveness in public services.
- **Process Automation:** Automating routine tasks, such as document processing and data entry, reduces manual workloads and enhances efficiency.
- **Fraud Detection:** AI can identify patterns indicative of fraudulent activities, safeguarding public resources and trust.

AI Adoption and Ethical Considerations

Harnessing AI's transformative potential involves automating routine tasks and utilising predictive analytics all to enhance decision-making processes. By complementing human intelligence, AI empowers staff to focus on high-value activities requiring empathy and nuanced judgment. Pilot projects and phased implementations ensure risks are minimised and benefits validated through iterative feedback.



Ethical considerations, such as transparency, fairness, and privacy, are now central to current public sector conversations around responsible AI usage. Proactive communication highlights AI as a job enhancer, not a replacer, supported by investments in upskilling and workforce development. Updated governance policies and safeguards further reinforce trust and accountability in the building of AI systems.

Hybrid IT and Cloud Computing

Whilst AI is the new word of the day, cloud computing remains top of mind for almost a quarter of respondents in figure 2, still maintaining a considerable leap in priority over the other technologies listed. The dominant consensus in industry positions hybrid cloud as the primary foundation for scalable and flexible public sector operations. Key benefits include:

- **Data Centralisation:** Cloud platforms enable real-time data sharing across departments, enhancing collaboration and decision-making.
- **Cost Efficiency:** By reducing reliance on physical infrastructure, cloud solutions lower operational costs.
- **Resilience:** Cloud-based disaster recovery systems ensure continuity of services during emergencies or disruptions.

Scalable Infrastructure

Modernising legacy ICT infrastructure is essential to sustaining innovation and agility. A core strategy involves transitioning from outdated on-premises systems to scalable, cloud-based solutions that optimise operational efficiency and reduce long-term costs. Hybrid cloud models balance the reliability of legacy systems with the flexibility and scalability of cloud technologies, ensuring seamless service delivery during high-demand periods.

Investments in composable architecture and modular frameworks enable incremental modernisation, reducing disruption and allowing systems to adapt quickly to emerging demands. Cloud adoption also enhances cybersecurity, resiliency, and disaster readiness, bolstered by robust compliance measures and dynamic security protocols.

The Web of Transformation

ICT modernisation in the public sector is not merely a technical upgrade; it is a strategic transformation that redefines how governments operate and serve their citizens. This white paper has explored the multi-faceted nature of this journey, from addressing foundational challenges like digital literacy and legacy systems to leveraging emerging technologies and fostering a culture of innovation.

The insights presented here highlight the interconnectedness of these elements. Success in ICT modernisation requires more than individual initiatives—it demands an integrated approach that aligns leadership, workforce development, and technology strategies with measurable outcomes. Governments must strike a balance between addressing immediate priorities and building future-ready systems that are flexible, scalable, and resilient.

Case studies demonstrate the practical application of these principles, showcasing how strategic investments in cloud adoption, AI, and hybrid infrastructures can yield significant operational and citizen-focused benefits. These examples underscore the need for phased, collaborative efforts, backed by robust governance frameworks and a commitment to incremental progress.

The path to modernisation is complex, requiring careful navigation of constraints such as budget pressures, legacy systems, and workforce readiness. Yet, as this paper has shown, these challenges are not insurmountable. By prioritising long-term value creation over short-term fixes, public sector organisations can build a solid foundation for sustained innovation and improved service delivery.

ICT modernisation is a means to an end—a tool to enhance public sector resilience and effectiveness in a rapidly changing world. The focus must remain on delivering tangible outcomes that improve citizen experiences, optimise resources, and strengthen institutional capabilities. With strategic foresight and deliberate action, the public sector can evolve into a driver of meaningful and lasting societal impact.



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About Public Sector Network

Public Sector Network (PSN) is a research company and insights exchange platform for government professionals. PSN connects public sector leaders to share knowledge, collaborate on solutions, and drive innovation in government services. Through events, workshops, and online communities, PSN fosters a culture of continuous learning and improvement in the public sector. PSN's mission is to support government organizations in achieving their goals through knowledge sharing and collaboration.

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