



CO-DESIGNING THE FUTURE STATE: DIGITAL SOVEREIGNTY, IDENTITY AND AI IN ACTION

EXECUTIVE SUMMARY | VOL.26 | NEW ZEALAND



IN BRIEF

A cross-jurisdictional roundtable convened under the Public Sector Network's Future Government Institute model brought together leaders from Australia, New Zealand, Canada and the US to examine three critical dimensions of digital transformation: co-creation capability, citizen-centric design, and digital governance. Representatives from academia, digital services, policing, and government innovation units shared insights on emergent technology risks, AI assurance, organisational maturity, and the foundational challenges of aligning digital capability with service delivery outcomes.

A key insight was the persistent misalignment between strategic aspirations and operational readiness. Despite broad interest in leveraging AI and digital tools for citizen service transformation, participants described capability fragmentation, funding siloes, and organisational immaturity as barriers to progress. Particularly, the inability to sunset legacy systems and reallocate investment toward foundational AI and data infrastructure was seen as a systemic constraint.

Participants advocated for embedding innovation through trusted governance frameworks, piloting safe-use environments, and building technical literacy across leadership tiers. Emphasis was placed on shifting from abstract digital strategies to measurable implementation roadmaps, informed by risk-managed experimentation and collaborative prototyping.

The roundtable reinforced the urgency of systemic digital maturity, suggesting the establishment of national trust and assurance frameworks, co-funded interagency innovation projects, and a stronger integration of academia in digital public sector innovation.

By **Patrick Joy** | Head of Research & Analysis | [Public Sector Network](#)



KEY THEMES AND INSIGHTS

DIGITAL MATURITY IS A PREREQUISITE, NOT A BY-PRODUCT

Participants repeatedly underscored that many public sector organisations possess digital strategies on paper but lack the underlying maturity to execute them. Maturity, in this context, was framed not just in terms of infrastructure, but also leadership alignment, workforce capability, and decision-making culture. One participant noted, “We publish the strategy... but there’s nothing linking it to real action.”

For instance, several agencies described the inability to retire outdated systems as a central constraint. Despite enthusiasm for generative AI, real-world deployment is hamstrung by inefficient legacy processes and siloed data systems. The challenge is further compounded by fragmented investment mechanisms, making it difficult to reallocate funding toward cross-agency transformation.

TRUST, RISK AND AI ASSURANCE ARE CRITICAL ENABLERS

Concerns around AI risks were dominant. Governments are keen to explore generative AI but wary of adopting it without adequate assurance frameworks. One agency established an Emerging Technology Advisory Group and a risk-managed innovation framework, enabling controlled AI prototyping before enterprise-wide deployment.

Assurance was viewed not just as a compliance requirement, but as a mechanism for cultivating internal confidence. Participants noted the need to automate assurance functions within back-office systems, transforming them from bottlenecks into enablers of experimentation.

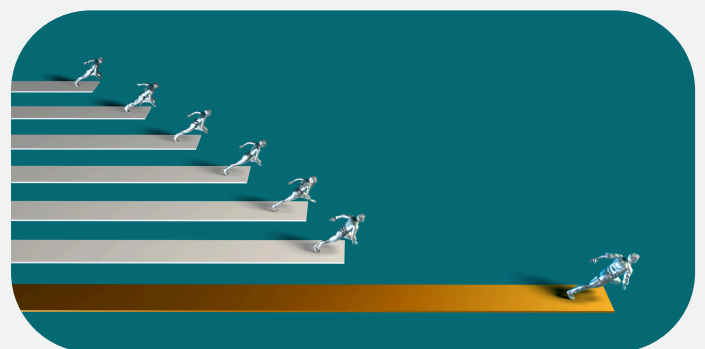
IDENTITY, PRIVACY AND SOVEREIGNTY SHAPE CITIZEN-CENTRED DESIGN

The intersection of digital identity, data privacy, and trust emerged as a recurrent theme in discussions on service integration. While some participants referenced Estonia and Denmark’s models of national identifiers, others pointed to local resistance to centralised identity frameworks. “We don’t want a national ID card—societally, we’re not there,” said one speaker. Still, participants acknowledged that many barriers to integrated services—such as eligibility verification for financial support—could be addressed with stronger identity systems and secure information-sharing protocols.

EXPERIMENTATION MUST BE FUNDED AND VALUED

Agencies lamented the lack of mechanisms to fund early-stage innovation. Although there is appetite for safe pilots and prototyping, the treasury and voting structures often do not allow multi-agency investments. “We want to work together, but we can’t demonstrate joint value across departments,” one participant observed.

This points to the need for transformation funding models that enable iterative learning, cross-agency cost-sharing, and space for ‘fast failure’—especially in areas such as AI-powered summarisation, automated document processing, and identity-based service personalisation.



CHALLENGES AND BARRIERS

FRAGMENTED CAPABILITY AND INVESTMENT STRUCTURES

A recurring theme was the challenge of building capability in environments where investment is siloed and legacy systems dominate. The lack of consistent digital capability standards and governance across departments hinders systemic maturity. One speaker observed that “700 government agencies in Australia are experimenting with AI, but no one is investing in capability at scale.”

LEADERSHIP UNDERSTANDING AND ROLE CLARITY

Leadership readiness was repeatedly questioned. Many digital leaders noted that their executive counterparts lacked the literacy to make informed technology decisions. The ambiguity around who owns digital maturity inside agencies also led to diffusion of accountability.

PRIVACY AND TRUST IN SERVICE INTEGRATION

Efforts to integrate services across domains like health, education and social support are often blocked by concerns about data privacy and the absence of trust frameworks. Participants described citizen hesitancy and inter-agency caution as symptoms of this missing infrastructure.

INERTIA FROM LEGACY SYSTEMS

The cost of maintaining outdated systems and processes continues to divert attention and funds from innovation. Automation projects are expensive due to the absence of scalable, reusable platforms. One official reflected on a \$100,000 automation project that could have cost a fraction if shared infrastructure existed.

FUTURE FOCUS AREAS

AI GOVERNANCE AND ASSURANCE FRAMEWORKS

There was consensus that Australia, New Zealand and their international counterparts must prioritise developing robust AI assurance frameworks. These would include ethical risk registers, real-world validation environments, and automated oversight mechanisms. Participants pointed to the NSW AI Assurance Framework as a potential starting point for a transnational model.

CROSS-AGENCY INNOVATION FUNDING MODELS

To overcome siloed treasury constraints, participants suggested the development of pooled innovation funds. These would be designed to enable agile, multi-agency pilots with clearly defined outcomes, shared learning, and governance protocols.

CITIZEN IDENTITY INFRASTRUCTURE AND TRUST MODELS

The evolution of digital identity in the public sector requires not just technology investment, but a public dialogue on privacy, data rights and consent. Future roundtables could explore “distributed trust” models and federated credentials that respect citizen autonomy while enabling service integration.

CAPABILITY AND LITERACY DEVELOPMENT FOR LEADERSHIP

Building digital maturity will require structured capability uplift. Participants emphasised the need for executive education focused on digital risk, AI adoption, and technology procurement—ensuring leaders are equipped to bridge policy, strategy and operations.

INNOVATIVE IDEAS AND CASE STUDIES

1. AI IN DECISION SUPPORT AND SUMMARISATION

Several agencies expressed interest in AI-generated summaries for court decisions, health case notes, and complex policy submissions. These use cases represent low-risk entry points for AI adoption, offering measurable productivity benefits and improving internal knowledge management.

One agency proposed a “maturity-use case matrix” to map the AI readiness of different departments. This would help align use cases with current organisational capacity and avoid overreach into high-risk domains.

2. EMERGING TECHNOLOGY ADVISORY GROUPS

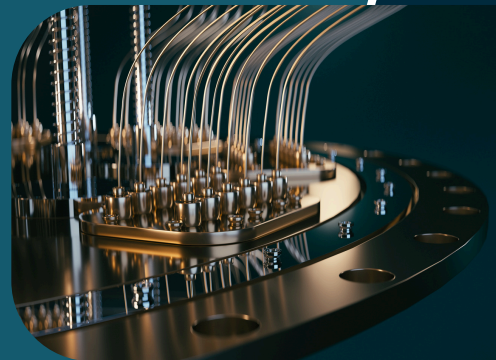
A government department described the implementation of an Emerging Technology Advisory Group, which enables rapid prototyping and risk evaluation of new technologies. Through structured sandbox environments, they are testing innovations before enterprise adoption—reducing risk while maintaining pace.

3. PROTOTYPING CITIZEN-DRIVEN SERVICE DESIGN

One participant discussed a prototype that would allow citizens to use AI (like ChatGPT) to access, verify and submit personal information across services. While currently hypothetical, it signals a shift from agency-led to citizen-controlled data flows—a major evolution in digital service design.

4. DIGITAL IDENTITY USE CASES FOR PUBLIC BENEFIT

Discussion around community services cards and driver’s licences as “copies” of a person’s identity sparked exploration into digital credential ecosystems. Participants noted the importance of setting assurance levels appropriate to each service context—balancing usability with security.



STRATEGIC OUTCOMES AND RECOMMENDATIONS

IMMEDIATE ACTIONS

- **Establish AI Pilots with Assurance Gateways:** Agencies should begin with low-risk AI applications like document summarisation, with clearly defined assurance benchmarks and risk protocols.
- **Develop a Capability Maturity Self-Assessment Tool:** Create a shared diagnostic framework to assess agency readiness across data, leadership, process and technology dimensions.
- **Map Shared Use Cases for Digital Identity:** Identify 3–5 cross-agency service areas where digital identity can unlock integration and publish prototype opportunities.

MEDIUM-TERM GOALS

- **Launch Cross-Agency Innovation Funds:** Design funding structures that support interdepartmental collaboration on shared digital challenges, with built-in evaluation cycles.
- **Develop Executive Digital Literacy Programs:** Partner with universities to deliver targeted training for government executives on digital transformation, AI governance and risk-based decision-making.
- **Formalise Trust Frameworks:** Co-design with citizens and privacy experts a scalable model for identity assurance, data sharing and consent management.

LONG-TERM VISION

- **Institutionalise Digital Maturity Models:** Embed digital maturity assessments in annual performance and investment planning processes across departments.
- **Federated Identity Ecosystems:** Build toward a citizen-led identity architecture, enabling secure, seamless interactions across public services without centralised ID mandates.
- **Transnational Digital Innovation Collaboration:** Establish ongoing partnerships between Australia, New Zealand, Canada and the US to co-develop standards, share case studies, and collaborate on AI policy and assurance.

ABOUT THE FUTURE GOVERNMENT INSTITUTE (FGI) RESEARCH COUNCIL

We've been able to engineer a new program antithetical to the classical red tape, administration, and risk-aversion that impedes innovation.

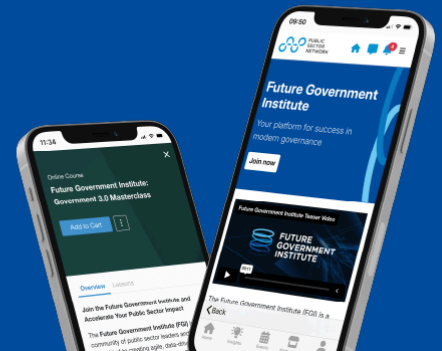
Public Sector Network has recently launched The Future Government Institute (FGI), a global hub for forward-thinking public sector leaders, innovators, and practitioners dedicated to shaping the next era of governance.

Our mission is to empower government professionals with the tools, insights, and networks needed to drive meaningful transformation - <https://publicsectornetwork.com/future-government-institute/>

Leveraging our extensive connections, we are uniting the sharpest minds from government, academia, and industry via monthly research-driven roundtables, hosted at esteemed national centres of research, courtesy of university partners across Australia and New Zealand.



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ABOUT PUBLIC SECTOR NETWORK

Public Sector Network is a research company that represents public sector professionals across Australia, Canada, New Zealand, and the USA. It develops roundtables, seminars, and conferences to suit current areas of interest to government agencies and their suppliers.

PSN's growing community spans across federal, state, and local government departments, healthcare, and education, allowing members to share information, access the latest in government innovation, and engage with other like-minded individuals on a secure and closed-door network.

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