



# Mapping public sector risk, resilience and readiness

June 2026

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## Public and social sector leaders across the UK are starting to catch their breath despite the data signals that show a deterioration in core financial capability.

What is now emerging is not a return to certainty, but a more settled realism. The acute pessimism that defined recent years is giving way to something more measured, more watchful. That shift matters. It creates space for strategic thinking that simply was not possible when organisations are in survival mode. Yet the underlying structural challenges remain firmly in place with underlying financial and operational pressures continuing to intensify in critical areas. The question facing public sector leaders is whether they will use this moment to fundamentally reshape how they operate, or whether the window will close before meaningful change takes hold.

The past decade has tested resilience in ways few could have anticipated. The cumulative impact of sustained financial pressure, rising demand, a global pandemic, and ongoing reform has reshaped both expectations and organisational reform.

I am encouraged by the professional pragmatism evident throughout this report. Leaders are not waiting for perfect conditions. They are exploring new revenue sources, building partnerships, and making difficult trade-offs.

Pragmatism alone will not be enough. The sector needs sustained investment, coordinated workforce planning, and the will to see transformation through. This tension is particularly evident in digital transformation. Ambition around AI, automation and data is clear and widespread. Delivery of that ambition continues to be constrained by funding limitations, legacy systems and skills shortages. As a result, there is a growing risk that aspiration outpaces capacity, creating frustration as well as opportunity.

At Forvis Mazars, we remain committed to supporting public and social sector organisations as they navigate these challenges. The work you do matters - to communities, to the most vulnerable, to the functioning of society itself. We hope this report provides both the evidence base and the impetus to move forward with greater confidence.



**Peter Cudlip**  
Global Head of Public and Social Sector  
Forvis Mazars

## Executive summary

**A quiet shift is underway across the public sector. Following years of sustained pressure caused by issues ranging from austerity, a pandemic, and inflation, the mood among senior leaders is shifting. Deep pessimism is giving way to something more measured: a cautious, watchful neutrality. There is a sense that the worst may have passed, but few are ready to declare uncertainty in the sector is over.**

Mapping public sector risk, resilience and readiness 2026 captures the views of 100+ senior leaders across the UK public and social sector. Building on our previous Public Sector in Focus 2025 study, which highlighted that genuine transformation was the only path forward. This year's findings reveal a sector that has yet to fully grasp that nettle. Leaders are grappling with competing demands: the need to transform while still managing the day-to-day; the ambition to embrace new technology while contending with funding constraints; and the drive to build long-term resilience while navigating short-term uncertainty. Nearly half of respondents (47%) still feel hampered by outdated legacy IT systems, and almost two-thirds (63%) consider limited funding as the primary barrier to digital transformation.

### Four overarching themes emerge from the data:

#### **The mood is shifting – however fragilities remain**

Pessimism about the outlook for the UK public sector has fallen significantly, replaced not by optimism but by a cautious middle ground. Leaders are watching closely to see how the political and economic landscape develops. The underlying pressures – constrained funding, rising demand, and workforce strain – remain firmly in place, and the sector knows it.

#### **Financial sustainability is the fault line**

Confidence in managing economic challenges and financial sustainability is among the lowest of any risk category, with almost half of respondents (46%) rating their confidence in the bottom two on a six-point scale. More than half (54%) have had to make significant budget reallocations in the past year, yet only 11% of respondents rate their financial forecasting tools as very effective. The message from the public sector seems to indicate that leaders are being forced into reactive, short-term financial decisions without the tools or visibility to plan their way out.

#### **The workforce crisis is deepening, not easing**

Recruitment challenges remain the number one workforce risk by a significant margin, compounded by retention pressures, an ageing workforce, and the challenge of upskilling at pace. The sector faces a compounding problem: as experienced staff retire and newer colleagues have fewer routes to acquire the tacit knowledge, the skills gap threatens to widen further.

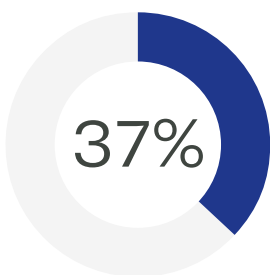
#### **Digital ambition is high, but the barriers are structural**

AI, automation, and data management dominate the digital agenda. Yet limited funding, legacy systems, and skills shortages stand between ambition and delivery. Cyber confidence remains relatively high, but a notable drop in the ability to actively manage cyber risk suggests that preparedness may be more fragile than it appears. Despite the investment and attention that has no doubt been given to issues around cyber risk, it is not immune from financial pressures and cost-cutting, which could suggest complacency remains to some degree.

## Outlook and sentiment: From pessimism to cautious neutrality

**Something has shifted in the way public sector leaders view the year ahead. The pessimism that characterised responses to our 2025 study has started to lift – but what has replaced it is not optimism. It is caution.**

Against a backdrop of ongoing geopolitical uncertainty, volatile energy markets and the still-unfolding consequences from the pandemic leaders are choosing their words carefully. Pessimism about the outlook for the UK public sector has fallen from 56% to 37%, while optimism has edged up from 26% to 34%. But the most telling movement has been into the neutral middle ground, which has grown from 16% to 25%. However, with this shift towards neutrality, leaders should not invite complacency, as underlying structural pressures and fiscal constraints continue to pose significant risks for the sector.

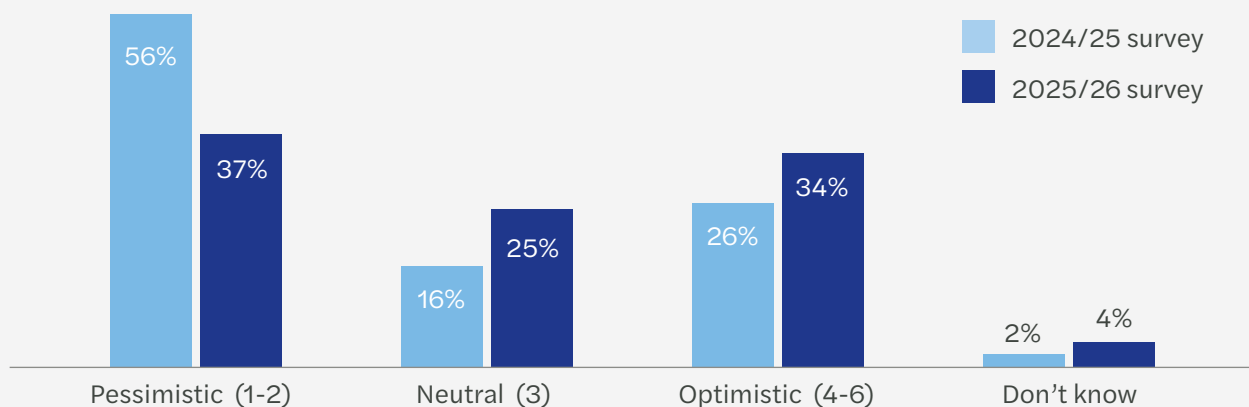


of respondents describe their outlook as pessimistic – down from 56% in 2024/25

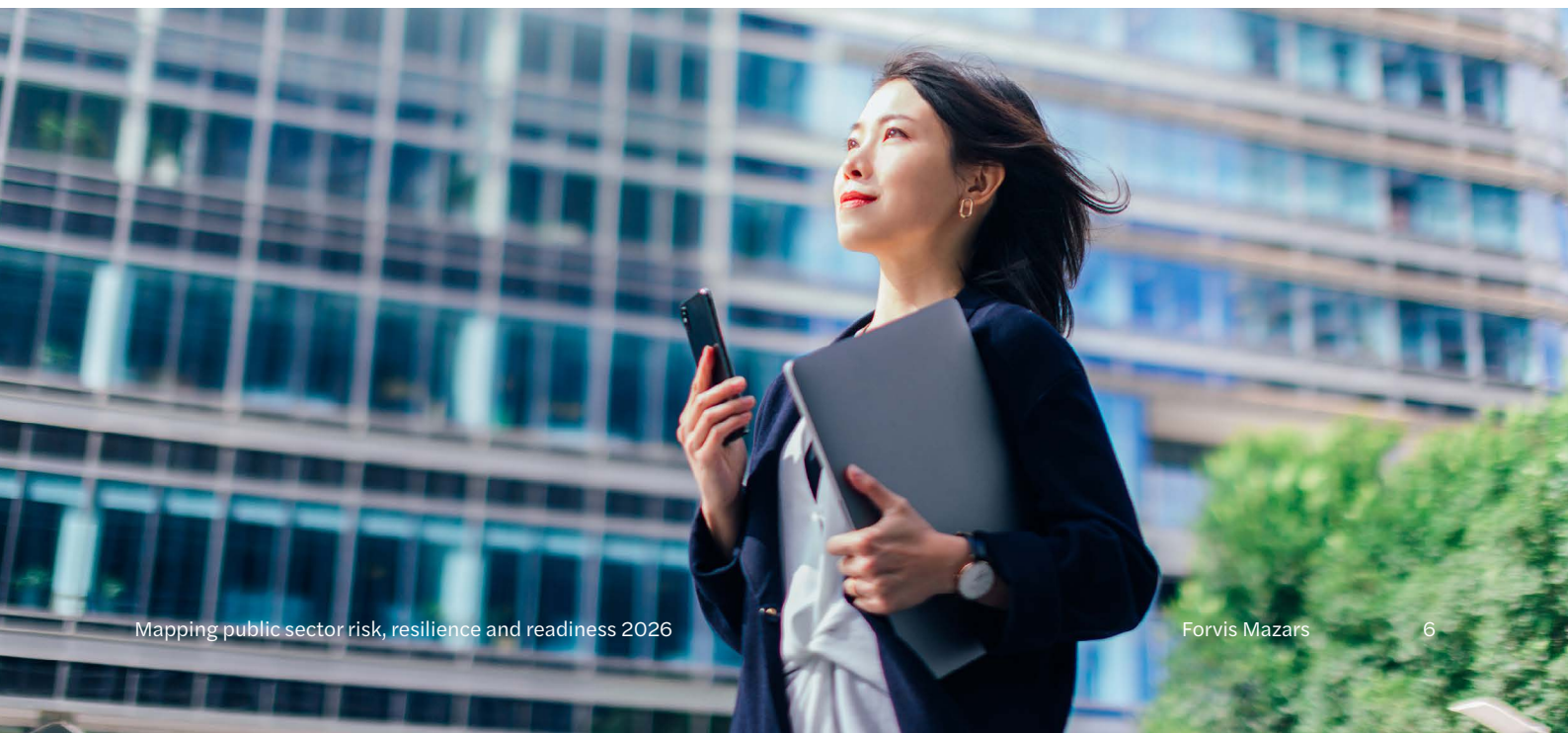
The picture that emerges is one of a sector that has turned a corner but has not yet arrived at its destination. Outlook for the next 12 months clusters firmly in the middle ground, with nearly half of respondents (49%) rating the outlook either neutral or slightly optimistic. Respondents are watching closely to see how the new political settlement, local government reorganisation, and funding landscape develop. This shift suggests that public sector leaders are waiting for clarity on the speed and scale of change before committing to greater optimism.

Respondents remain more positive about their own sector (38% optimistic) than about the UK public sector as a whole (34%), a pattern consistent across last year and this year's findings. This suggests a degree of local resilience and organisational confidence that is not reflected in the broader sectoral outlook – a finding that echoes through every chapter of this report.

### Outlook for the UK public and social sector over the next 12 months



# Outlook and sentiment: From pessimism to cautious neutrality



## Financial sustainability, organisational resilience and workforce

**If the easing of pessimism is the headline, financial sustainability is the story beneath it. Across every measure in this report, the financial position of the public sector emerges as the central risk – the one that constrains progress on almost everything.**

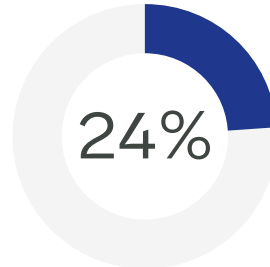
Leaders are not simply worried about budgets in the abstract. They are describing real, operational consequences: recruitment freezes, shelved projects, reduced services and the quiet erosion of organisational capacity. Organisations across the public sector are searching for cost savings, including redundancy programmes. Meanwhile, reserves are being steadily depleted to cover unexpected increases in operating costs, compounded by inflation and reduced investment returns. As one respondent put it:

“I would caveat that a significant element of the financial pressure was not unforeseen, however there was a combined reluctance and naivety by voting members to recognise them and expect that we could ‘transform’ our way out of these pressures.”

Public sector respondent

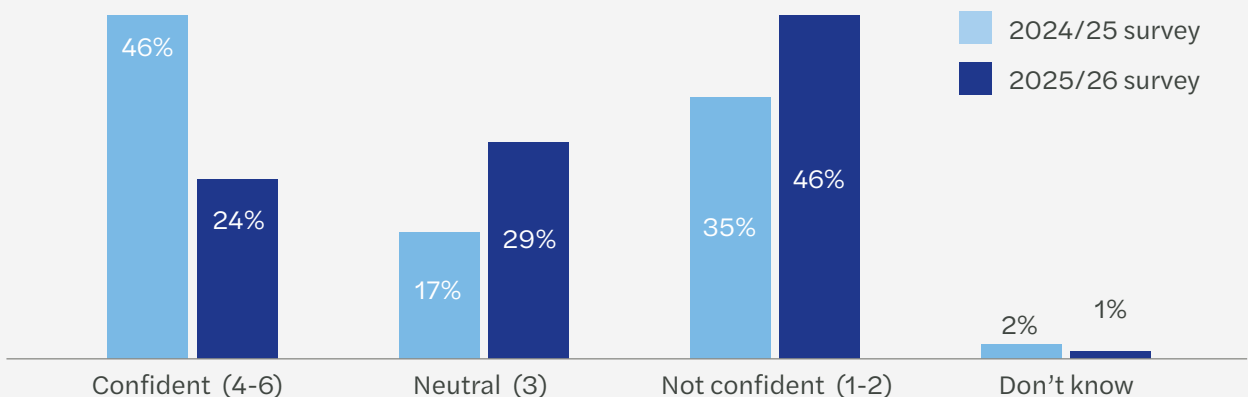
### A steep decline in confidence

Confidence in managing economic challenges and financial sustainability has dropped from 46% to just 24% – the steepest decline across all fourteen risk categories surveyed. The proportion who are not confident has risen from 35% to 46%, while a further 29% sit in the neutral middle. In our 2025 study, economic pressures were already the number one risk; this year’s data confirms that this is still very much the case, with inflation, employer National Insurance increases, and the wider geopolitical environment continuing to exert pressure on public sector budgets.



of leaders are confident in managing economic challenges – down from 46% last year

### Confidence in managing economic challenges and financial sustainability



# Financial sustainability, organisational resilience and workforce

## Budget reallocations under pressure

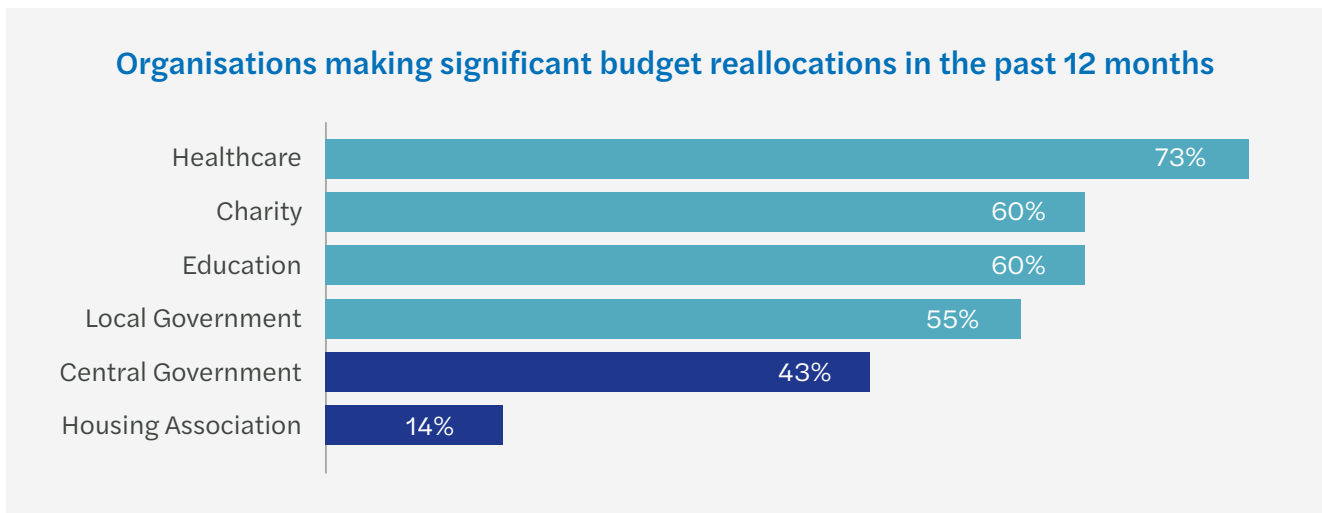
54% of respondents have had to make significant budget reallocations in the past 12 months due to unforeseen financial pressures. The areas impacted span the breadth of public services – from adult and children’s social care to digital infrastructure, from temporary accommodation to capital programmes.

“Being unable to replace essential support staff when staff have left. Total burnout of admin staff due to a lack of funding. Teachers and teaching support are often prioritised over administration staff, resulting in overwork. This is rarely recognised.”

Education respondent

“We had to save £304M this year out of a £3.5Bn budget – around 9%. We had to reduce running costs from £36M to £19M in a single year.”

NHS respondent



## Are we forecasting well enough?

Despite the scale of financial pressure, only 11% rate their financial forecasting tools and processes as very effective, with the majority (56%) describing them as only somewhat effective and a further 17% saying they are not very effective. This suggests a significant capability gap at precisely the moment when accurate, forward-looking financial planning matters most. Better forecasting would not eliminate

the need for difficult decisions such as service reductions, restructuring, or reallocation; however, it would allow leaders to make those decisions earlier, with greater confidence, and with the evidence base needed to stand behind them. Without that capability, organisations are left making reactive choices under pressure, rather than being proactive in their decision-making.

# Financial sustainability, organisational resilience and workforce

## Exploring new revenue sources

In response to sustained financial pressure, a majority of organisations are looking beyond traditional funding models. 59% of respondents say they are exploring new revenue sources or partnerships, with 32% doing so actively and 27% on a limited basis. This signals a growing recognition that reliance on central funding alone is not a sustainable strategy – organisations in the sector need to diversify, collaborate, and innovate their way to financial resilience.

## Resilience and long-term planning

While there are pockets of improvement, the broader picture is one of a sector still building its capacity for long-term resilience. Confidence in managing the tension between short-term focus and long-term resilience has improved from 27% to 47%. Similarly, confidence in the delivery of major capital projects on time has nearly doubled.

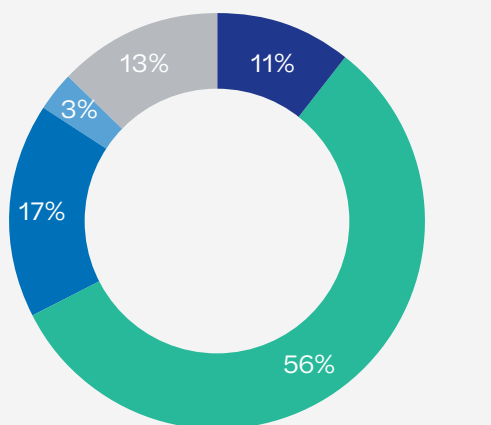
However, when asked about readiness to adapt over the next three to five years, only 53% of respondents placed themselves in the confident range, with just 15% giving a high confidence rating. This could be

linked to uncertainty over what skills will be needed in the future, particularly given the potential impact of AI and automation on public sector roles – and the very real challenge of replacing the deep institutional knowledge held by an ageing workforce.

“Councils are facing a significant organisational risk arising from the retirement of experienced officers whose specialist knowledge has been built up over many years of complex operational practice. This expertise – which cannot be quickly replicated – is critical to maintaining continuity, compliance, and high-quality decision making. The challenge is compounded by the shift to hybrid and home-based working, which has reduced day-to-day opportunities for informal learning, shadowing, and skills transfer between colleagues.”

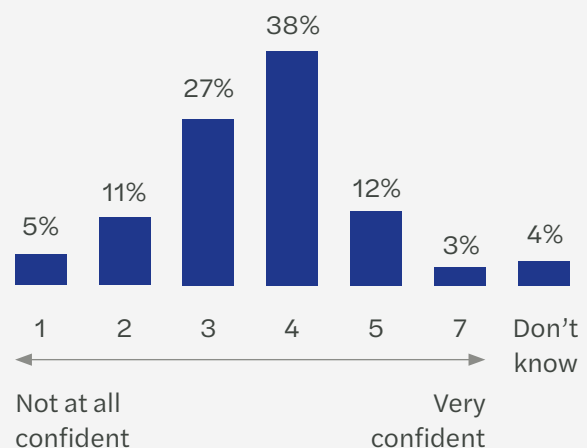
Local government respondent

Effectiveness of financial forecasting tools and processes



■ Very effective      ■ Not effective at all  
■ Somewhat effective      ■ Don't know  
■ Not very effective

Confidence in organisational readiness to adapt over the next 3-5 years



## The workforce challenge: Recruitment, retention and the skills pipeline

**The public sector’s ability to deliver on its ambitions is ultimately dependent on its people. And the message from this year’s findings is sobering: the workforce crisis is deepening, not easing.**

Recruitment challenges were cited by 64% of respondents as one of their biggest workforce risks, making it the most frequently selected option by a significant margin. This was followed by retention challenges at 43% and training and upskilling employees at 40%. An ageing workforce (37%) and competition from the private sector (24%) add further structural pressure.



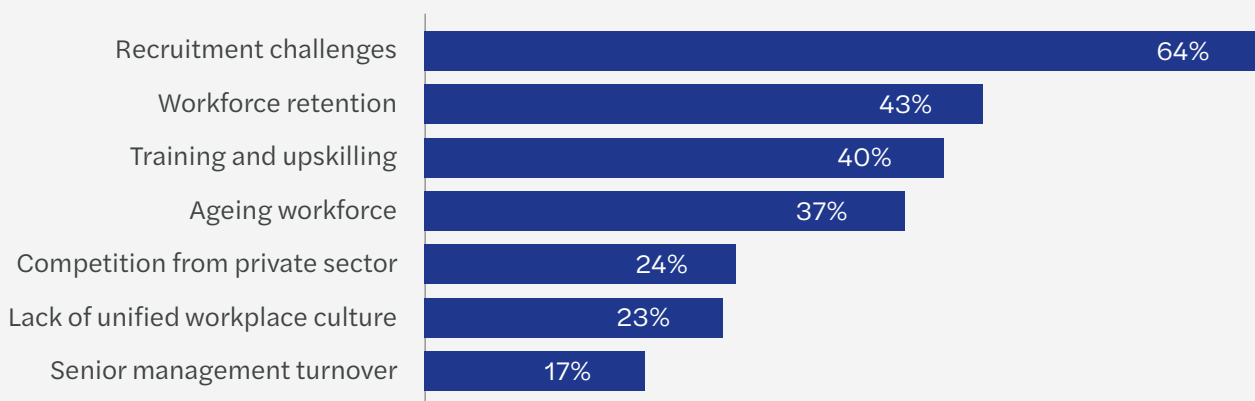
The sector faces a compounding challenge: it struggles to attract talent, retain experienced staff, and develop the skills it needs for the future

– all at the same time. In our 2025 study, 47% of respondents lacked confidence in managing workforce challenges; this has improved only marginally to 45%, with the proportion who are confident remaining at just 39%.

“There is a gap between staff and directorate – a top-down, contradictory approach is alienating hardworking staff. Driving a ‘Putting People First’ agenda that only puts people first if money allows, whilst we have an £80m deficit, makes people resentful and resistant to new initiatives.”

**Public sector respondent**

### Biggest workforce risks facing public sector organisations



## The workforce challenge: Recruitment, retention and the skills pipeline

The cultural dimension of this challenge should not be underestimated. Confidence in addressing workplace culture issues is essentially unchanged, with 49% still reporting they are not confident in this area. Culture change remains one of the hardest challenges for public sector organisations to tackle – and without it, recruitment and retention strategies risk treating symptoms rather than causes. One respondent had this to say about workplace culture:

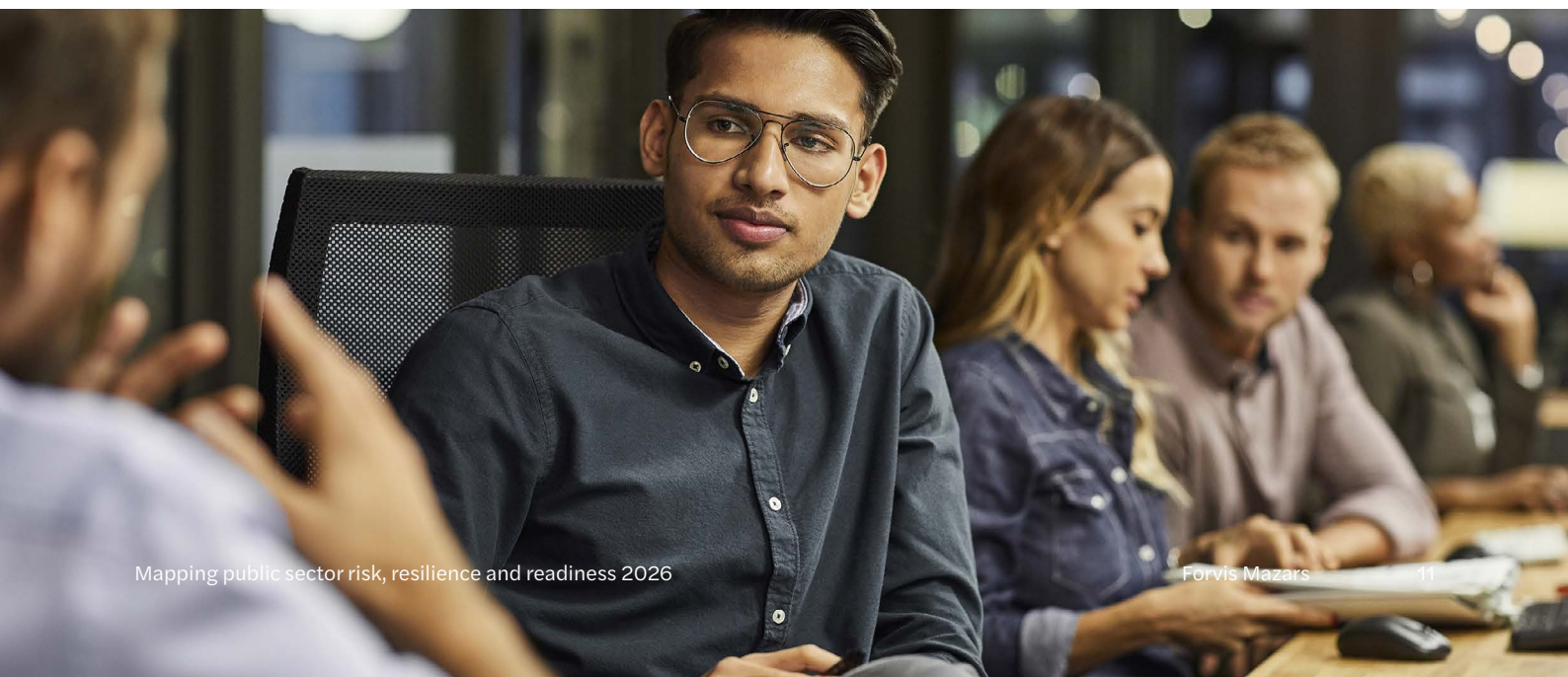
“Toxic work environment due to people being overworked and working in psychological threat mode as a result.”

Public sector respondent

This is not a challenge that can be solved with a single policy intervention. It requires a coordinated approach to workforce planning, culture change, pay competitiveness, and skills development – albeit at a time when the sector’s capacity to invest in any of these is constrained.

### Confidence index: Financial sustainability and workforce

Risk area	Confident	Not confident	YoY change
Economic challenges and financial sustainability	24%	46%	-22%
Short-term focus over long-term resilience	47%	21%	+20%
Delivery of major capital projects	51%	20%	+23%
Workforce challenges	39%	45%	+2%
Workplace culture	33%	49%	+1%
Supply chain resilience	44%	23%	N/A
Capacity to meet demand for services	38%	33%	N/A



## Digital transformation and cyber resilience

**The appetite for digital transformation across the public sector is clear. However, appetite and delivery are not the same thing. We examine the digital priorities shaping the sector’s agenda, the barriers standing in the way, and the state of cyber resilience at a time of growing threat.**

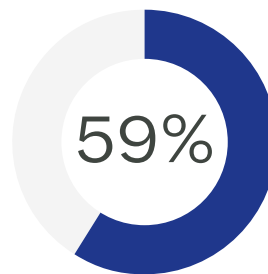
### What are the most critical digital priorities?

The direction of digital investment over the next 12–24 months is clear. Introducing AI or automation initiatives was identified as the most critical digital priority by 59% of respondents, closely followed by improving data management and integration at 58%. Rolling out new digital service platforms was selected by 42%. Notably, upgrading cybersecurity - historically a top-of-agenda item - was selected by only 29%, suggesting that years of sustained investment may be paying off: 88% of respondents now express at least some confidence in their cyber defences. The sector’s digital attention appears to be shifting from protection to possibility, with AI and data now firmly at the front of the queue.

Whilst the strength of demand for AI and data capability is notable, it should be read alongside a note of realism. As one respondent cautioned:

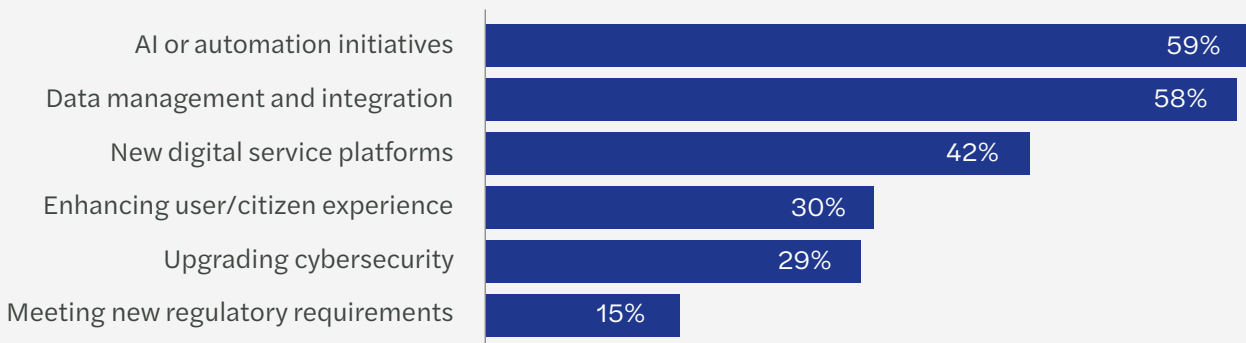
“I think we may be overestimating the impact of AI. Our staff are not call handlers or data-entry drones. I may be proven wrong, but I think we are placing too much faith in an AI miracle.”

Central government respondent



identify AI or automation as their most critical digital priority

### Most critical digital priorities over the next 12-24 months



## Digital transformation and cyber resilience

### What are the biggest barriers to digital transformation?

Ambition, however, exists alongside significant structural barriers. 63% cite limited funding as the biggest obstacle to achieving their digital transformation objectives, followed by outdated legacy IT systems (47%), skills shortages (40%), and data quality and integration challenges (39%). These are not new findings; limited funding and data challenges were similarly identified as top barriers in our 2025 study. The fact that the same issues have resurfaced suggests they are becoming entrenched and that, without targeted intervention, they risk hardening into permanent constraints on the sector's ability to modernise.

When asked what the biggest barriers were, respondents answered:

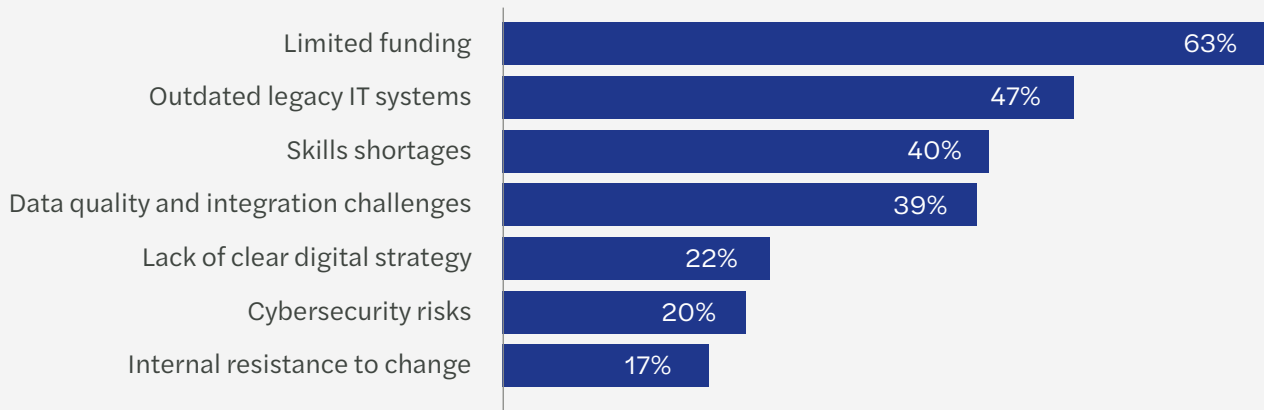
“Adoption of technology, evolution of technology, limited funding, lack of skills to understand the technology landscape outside of the IT team.”

**Public sector respondent**

“Adequate staffing, lack of digital infrastructure to deliver changes.”

**Public sector respondent**

#### Top five barriers to digital transformation



## Digital transformation and cyber resilience

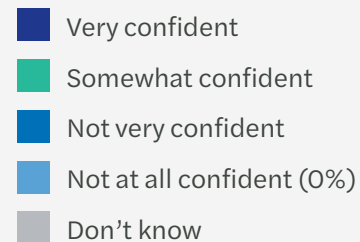
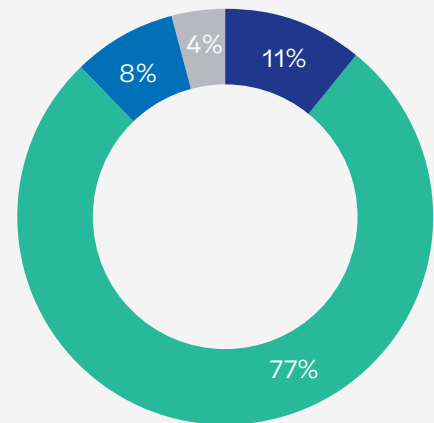
### How resilient is the sector against cyber threats?

Cyber risk is an area where organisations feel most prepared. 88% of respondents say they are very or somewhat confident that their organisation is protected from cyber-attacks. However, this headline figure deserves scrutiny.

When asked specifically about their ability to manage cyber risk as part of the broader risk framework, confidence has fallen from 80% to 65%, with more respondents moving to the neutral middle (up from 11% to 23%). This may reflect a maturing understanding of cyber risk. As organisations gain experience, they recognise that the threat can never be fully eliminated – only managed. Earlier, higher confidence levels may have reflected a degree of overconfidence; today's more tempered outlook suggests leaders are making more informed judgements about where to draw the line on investment, accepting a higher degree of risk tolerance even as appetite for risk remains low.

Recent high-profile cyber incidents affecting public sector organisations and major private sector brands serve as a reminder that even organisations with significant investment in cyber defences can be caught out. The NHS ransomware attacks, the MOVEit data breach, and incidents affecting local government have all underscored the evolving nature of the threat. The challenge of recruiting and retaining IT and cyber security professionals – in competition with the private sector and a rapidly growing AI industry – adds further complexity.

#### Confidence in protection from cyber attacks



### Confidence index: Digital transformation and cyber resilience

Risk area	Confident	Not confident	YoY change
Digital transformation and innovation	48%	25%	N/A
Cyber risk	65%	12%	-15%
Regulatory and compliance requirements	71%	9%	+22%
Productivity and transformation measurement	34%	32%	N/A

## What does this mean for the sector?

**Taken together, these findings present both a warning and an opportunity. The easing of pessimism that defined our 2025 study offers a window – but it should not be mistaken for a return to stability, still less an invitation to complacency.**

The underlying pressures that have shaped the sector for the past decade – constrained funding, rising demand, and an ageing, overstretched workforce – have not gone away. If last year’s message was a call to action, this year’s must be about seizing the moment: using the shift in mood not as a reason to ease off, but as the platform from which to fight for the future.

Public sector organisations are being asked to do something extraordinarily difficult: transform while still managing the day-to-day. The sharp decline in financial confidence – from 46% to just 24% – even as the outlook improves, tells us that leaders recognise the need for change but are far less certain they have the resources to deliver it. As one respondent put it:

**“Lack of imagination or willingness to shape the future, rather than be shaped by it.”**

**Public sector respondent**

The appetite for AI, automation, and data-driven transformation is a genuine cause for optimism, and the fact that it spans virtually every part of the sector suggests this is more than a passing trend. But ambition without investment risks becoming a source of frustration rather than progress. With 63% citing funding as the primary barrier and persistent skills shortages limiting capacity, the gap between what organisations want to achieve digitally and what they can realistically deliver remains wide. Closing that gap will require not just money, but sustained attention to workforce planning, data

quality, and the cultural willingness to change how services are designed and delivered. Another participant commented:

**“Over-ambitious, committed to too many things, meaning they all end up being done less than adequately rather than fewer things done properly.”**

**Public sector respondent**

For those responsible for risk and resilience across the public sector, this report reinforces the message that many of these risks cannot be managed in isolation. Workforce shortages constrain digital ambitions; cyber security commands an increasing share of available investment precisely because organisations know they cannot afford to neglect it, yet this leaves less for the broader technology transformation the sector needs; and the sheer volume of competing demands adds complexity to organisations already operating at capacity. Building genuine resilience will mean moving beyond compliance-driven, siloed approaches to risk. Leaders will need to invest in horizon scanning, scenario planning, and the identification of emerging risks – the very capabilities this report suggests are underdeveloped. Equally important is an honest reassessment of risk appetite and tolerance: in a financially constrained environment, organisations cannot do everything, and a practical framework for prioritising what they will and will not pursue may prove more valuable than any single investment decision.

## Methodology

Mapping public sector risk, resilience and readiness 2026 was conducted by Forvis Mazars in partnership with Surveys in Public Sector. The consultation period ran from Tuesday 6 January 2026, to Thursday 2 April 2026.

A total of 106 individuals participated in the survey, representing a broad cross-section of job functions across the public and social sector, including but not limited to:

Audit, Business Development, Business Management, Cabinet Member Local Government, Chief Executive/Deputy, Commissioning, Community Health, Contract Services, Corporate Services, Customer Services, Digital, Environment, Environmental Health, Events, Finance Management, Governance, Governor, Head Teacher, Health &

Safety, Housing Development, Housing Services, Human Resources, IT Management, IT Technical Lead, Information, Local Government, Medical Director, Operations, Partnerships, Planning, Policy, Primary Care, Procurement/Purchasing, Project, Public Health, Records Management, Recruitment, Regeneration, Regulatory, Risk, Sales, Security, Senior Manager, Service Delivery, Social Services, Strategy, Training, Transformation/Change Management.

All survey participants have received a complimentary copy of the key findings report. There was no inducement to take part in our research project, and Forvis Mazars was not introduced as the survey partner.

## Acknowledgements

Forvis Mazars and Surveys in Public Sector would like to take the opportunity to thank all of those who were kind enough to take part, especially those who found the time to offer additional insight through their extra comments.

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## Contacts



**Peter Cudlip**  
Global Head of Public and Social Sector  
Forvis Mazars

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