

CIVICA

Research report

Public Sector Financial Resilience

Uncovering the state of financial resilience
and readiness for technology and data to
ease critical pressures

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Building foundations for delivering better citizen welfare and community commitments

Foreword by Lee Perkins, CEO, Civica

The financial pressures on public sector organisations have rarely felt so acute. With rising demands, constrained budgets and increasing expectations all converging at once, everyone working in the public sector, without exception, is being asked to do more with less. It's a time when public sector leadership is being challenged to make difficult choices, and at pace.

When we talk about "financial resilience" in this context, we mean more than balances, reserves and risk registers. We are talking about the ability of public bodies to absorb shocks, adapt to changing circumstances and still deliver on their important promises to citizens.

Resilience is about how decisions are made, how quickly leaders can see what is happening in their organisation, and how easily they can focus effort and resources towards what matters most. It is about creating enough flexibility in the system to protect today's services and still invest in tomorrow.

Through our work as a GovTech champion, Civica is uniquely placed to take a public sector-wide view

on the state of financial resilience. This research is the first of its kind and was commissioned because we are hearing the same story in every local authority that we partner with, in every central government department we advise, and in every NHS Trust, every school and every Multi-Academy Trust that we support through transformation. The common thread is that establishing financial resilience is imperative if public sector organisations are to be fully equipped to fulfil the most essential promises of looking after citizen welfare and delivering on commitments to the communities they serve.

The challenge, as this study starkly reveals, is that nearly four in 10 public sector organisations now describe their financial outlook as severe or critical. Rising above this towards financial resilience requires more help than ever before. And more than any single operational or financial measure, it is the people who deliver public services – the teachers, the social workers, the administrators, the clinicians – who are carrying the greatest weight of this strain.

This human impact is both the first cost of financial pressure and the

greatest risk to our public services' long-term health. Staff morale and wellbeing emerged as the single most-affected area across every sector we surveyed. This is a reminder that financial resilience is not just a numbers challenge. It is about people.

Yet, even amidst these pressures, the public sector is not standing still.

Leaders and teams continue to innovate, to adapt and to look for new ways to deliver for citizens. They know that digital transformation done well will relieve pressure, unlock value and free staff to focus on serving citizens and improving lives. Getting it right will unlock benefits for the whole of society.

But true transformation requires partnership. It requires technology that adapts to people, not the other way around. It requires expertise from the private sector. It requires solutions that integrate with legacy systems rather than replace them outright. It requires investment in skills, in data, and in the confidence to embrace new ways of working. Above all, it requires collaboration rooted in trust and designed around public purpose.

At Civica, we exist to help public sector teams unlock value through digital solutions so they can focus their resources on supporting their communities, strengthening services and protecting the wellbeing of both the people who deliver them and, ultimately, the citizens that receive them.

There is an urgency in the challenge ahead, and with this an opportunity to make a difference. Here, we aim to benchmark what makes some organisations more financially resilient than others – and what practical steps can help close that gap through technology.

Through these insights we can work together in building a roadmap towards greater financial resilience for the whole public sector. This is the surest way to unlock more opportunities for citizens and community services.



Lee Perkins
CEO, Civica



Executive summary

We surveyed 607 public sector professionals across central and local government, healthcare and education about their finances, their technology and their confidence in the future. Here is what they told us.

The financial state of play

UNDER PRESSURE

- 75%** describe substantial, severe or critical financial pressure
Conditions that just two years ago would have been considered exceptional are now routine
- 48%** in local government and healthcare say it's severe or critical
For nearly half of respondents in frontline services, financial pressures are a daily challenge
- 1 in 5** say staff wellbeing and morale is the top casualty
The most cited impact of financial pressure in every sector

The challenge: the workforce absorbing that strain today is the same workforce being asked to deliver the digital reform. Organisations cannot transform on the energy of people who are already running on empty.

Digital adoption and effectiveness

FALLING SHORT

- 4%** describe their digital tools as highly effective
Meanwhile the government has committed £3.9bn to digital and AI investment
- 17%** have deployed none or limited digital tools
Rising to 28% in education, nearly three times the rate in central government
- 24%** simply don't know how effective the digital tools in use are
You cannot improve what you cannot measure

The challenge: for the most part, organisations are flying blind as nearly a quarter of respondents cannot tell whether their digital investment is working. Organisations cannot build a case for more funding, or make smarter decisions about what to deploy next, without that evidence.

Readiness for AI and the path forward

NOT READY YET

- 3%** are fully ready to scale digital solutions without reducing service quality
The goal of digital transformation feels distant
- 71%** have medium or low confidence in their data quality and governance
Not everyone feels equipped to deliver
- 19%** say funding is the biggest barrier to reaching digital goals
Skills, data quality and infrastructure follow close behind

The challenge: the government is building an AI-powered public sector, but the organisations expected to deliver it are not ready for digital transformation, largely cannot assess whether they are ready, and do not have the money to close the gap. Policy ambition and infrastructure capability are not yet aligned.

In a nutshell:

Organisations know what they need: funding, skills and systems that work together. This report sets out what stands in the way, and what a credible path forward looks like

Holding the line

The Spending Review 2025 (SR25) set the terms for doing more with less across the public sector: departments are committed to achieving an overall [16% reduction in administration budgets by 2029-30, alongside 5% day-to-day efficiency savings](#) worth £13.8bn. For many departments, these targets mean real-terms cuts to everyday spending. For the people who deliver public services, that means finding ways to maintain standards in service delivery while resources to do so shrink around them.

The scale of the challenge can be seen in analysis by the Institute for Government. Early this year, the think tank estimated that departments may need [to cut between 29,000 and 40,000 jobs to meet their administrative savings targets](#). With voluntary exit schemes under way in over a third of core departments, the IfG warned these efforts alone will not deliver the savings required. The pressure has only grown since. At the November 2025 Budget, departments were asked to find a further £2.8bn in efficiencies by 2028-29, rising to £4.9bn by 2031 on top of their existing SR25 commitments.

The government has been clear about where it believes the answer to these challenges lies, with technology, data and artificial intelligence (AI) at the heart of its reform agenda. The SR25

allocated a total of [£1.9bn for cross-cutting digital priorities](#), funding the rollout of productivity-enhancing AI tools, the replacement of legacy systems and new digital public infrastructure, plus a further £2bn was committed to implementing the AI Opportunities Action Plan.

This investment has started to translate into action. In November 2025, the Department for Science, Innovation and Technology (DSIT) launched [GDS Local to help boost councils' IT procurement power](#) and transform how residents interact with online services. The move was followed by the creation of CustomerFirst, a new unit led by industry experts from Octopus Energy and Monzo and tasked with [using AI and modern solutions to transform how government serves the public](#).

The government has admitted that this rapid shift towards AI and automation raises uncertainty across the workforce it depends on, and a [new cross-government AI and the Future of Work Unit](#), launched in late January, was set up to research and monitor AI's economic and labour market impacts.

Prospect general secretary Mike Clancy, appointed to the unit's expert advisory panel, said that staff can benefit from the AI transition, ["but only](#)

[if steps are taken to prepare people and organisations for change"](#). His statement reflects a sentiment felt across the whole public sector: the ambition is real and the investment is significant, but the gap between policy and practice is the key challenge.

This research report aims to address this gap. It is the latest in a series of studies conducted by Civica in partnership with *Civil Service World*, a media brand of Total Politics. The theme of this particular study – Financial resilience through data and technology – came about following the SR25. It seeks to answer the question that matters to every public sector leader in the country: **how can a smarter use of data, automation and digital tools enable public sector organisations to build long-term financial resilience in the face of ongoing fiscal pressures?**

Drawing on a survey of 607 senior decision-makers across central and local government, healthcare and education, this report explores the financial pressures they face, the tools they rely on, and the barriers that stand between them and the kind of digital maturity that could make a real difference on the ground.



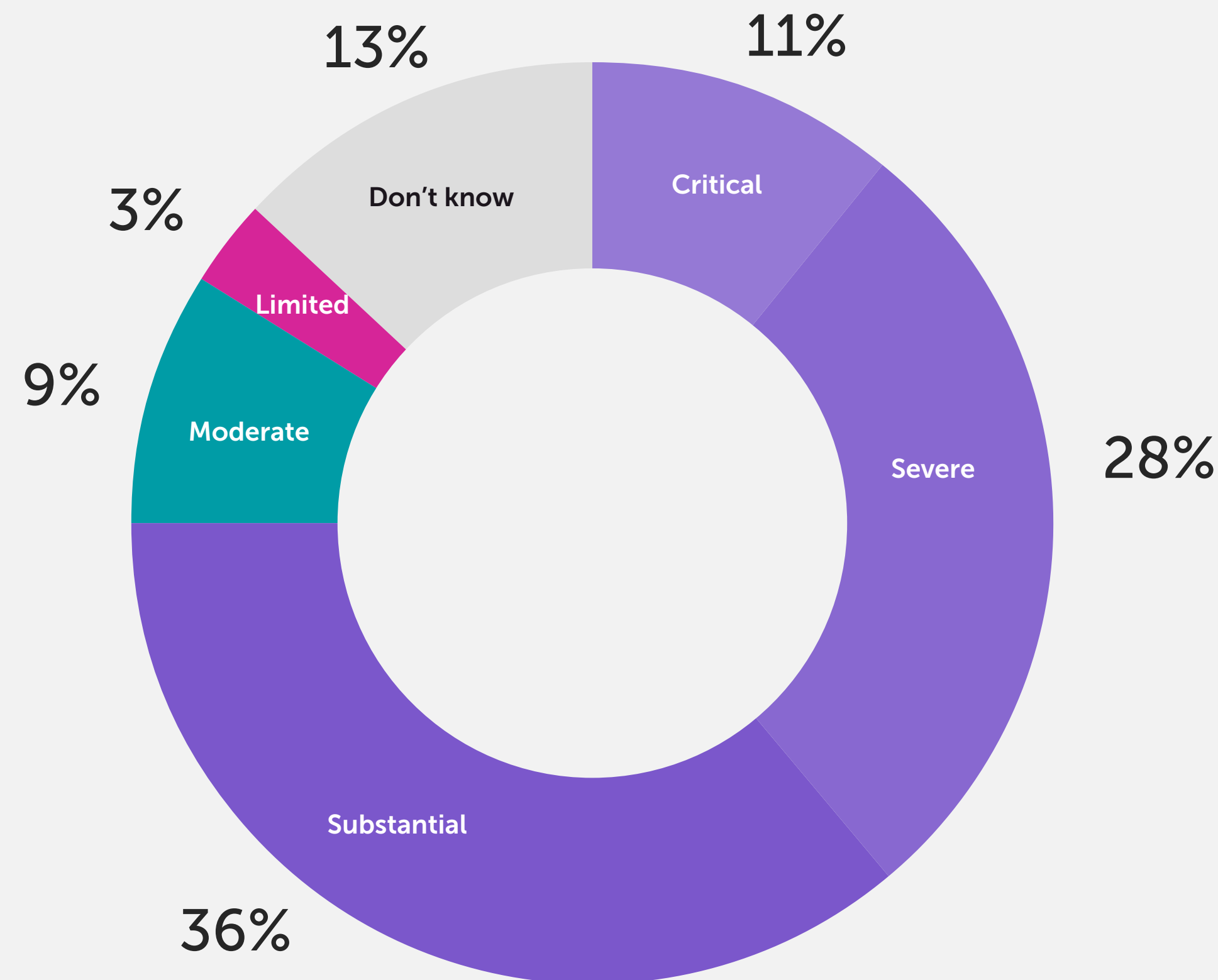
Section 1 The financial state of play



Financial pressures

Three quarters (75%) of civil servants report their organisation as being in a 'Substantial', 'Severe', or 'Critical' state of financial pressure. Just 3% say their organisation is 'financially stable with adequate reserves'. This pattern repeats across every sector in the study, but the pressure manifests differently for each.

How would you characterise the financial pressure your organisation faces over the next two years?



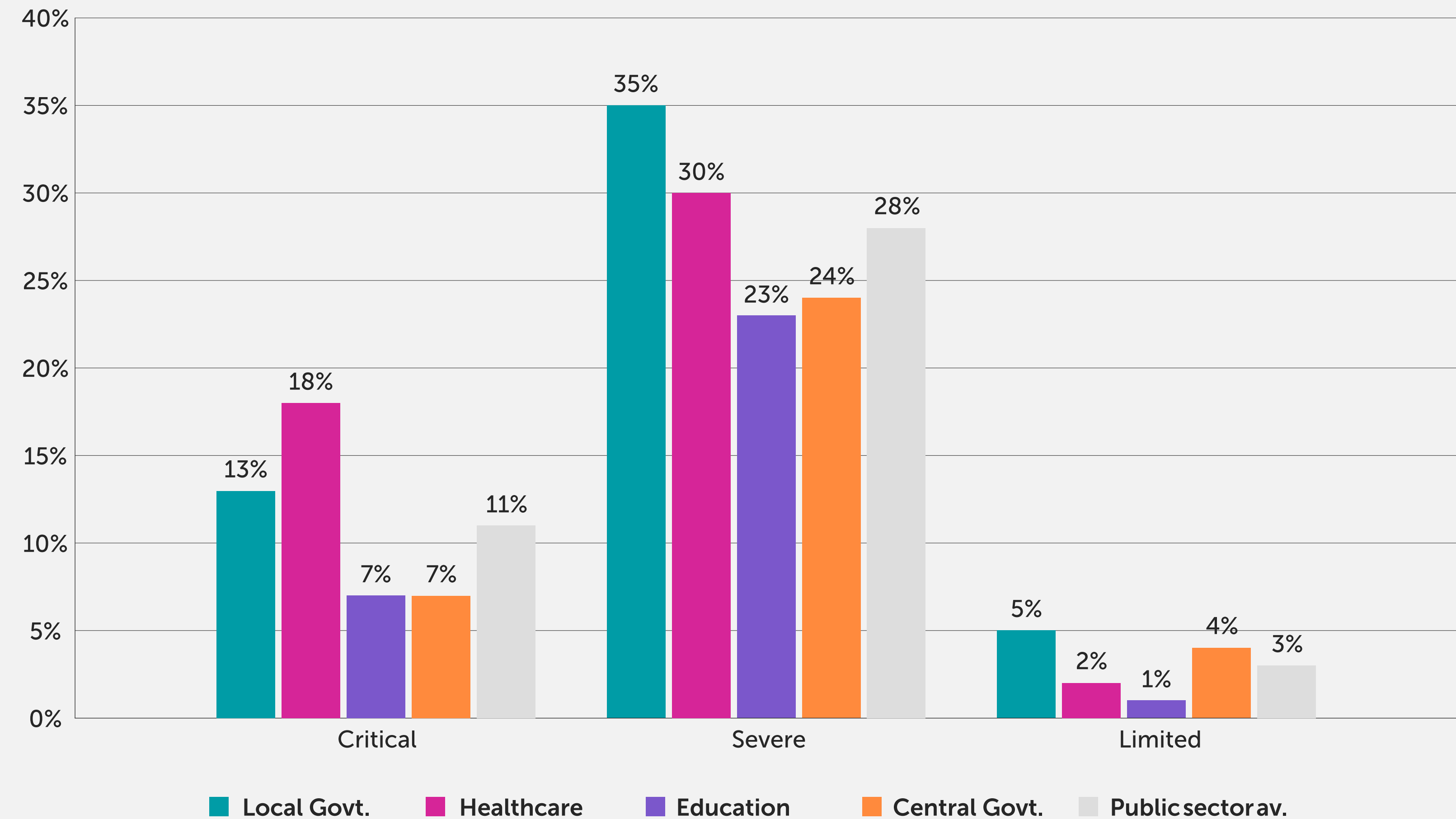
- Critical:** approaching or in financial crisis
- Severe:** significant budget shortfalls requiring major service reductions
- Substantial:** manageable but requiring efficiency savings and service changes
- Moderate:** pressure exists but within normal planning parameters
- Limited:** organisation is financially stable with adequate reserves
- Don't know**

Financial pressures by sector

In local government and healthcare, almost half of respondents (48% in both sectors) describe conditions as 'Severe' or 'Critical' – in healthcare, nearly one in five (18%) say their organisation is 'approaching or in financial crisis'.

For central government and education, the headline figures are somewhat lower, but the underlying pressure is the same: there is not enough money to meet rising demand.

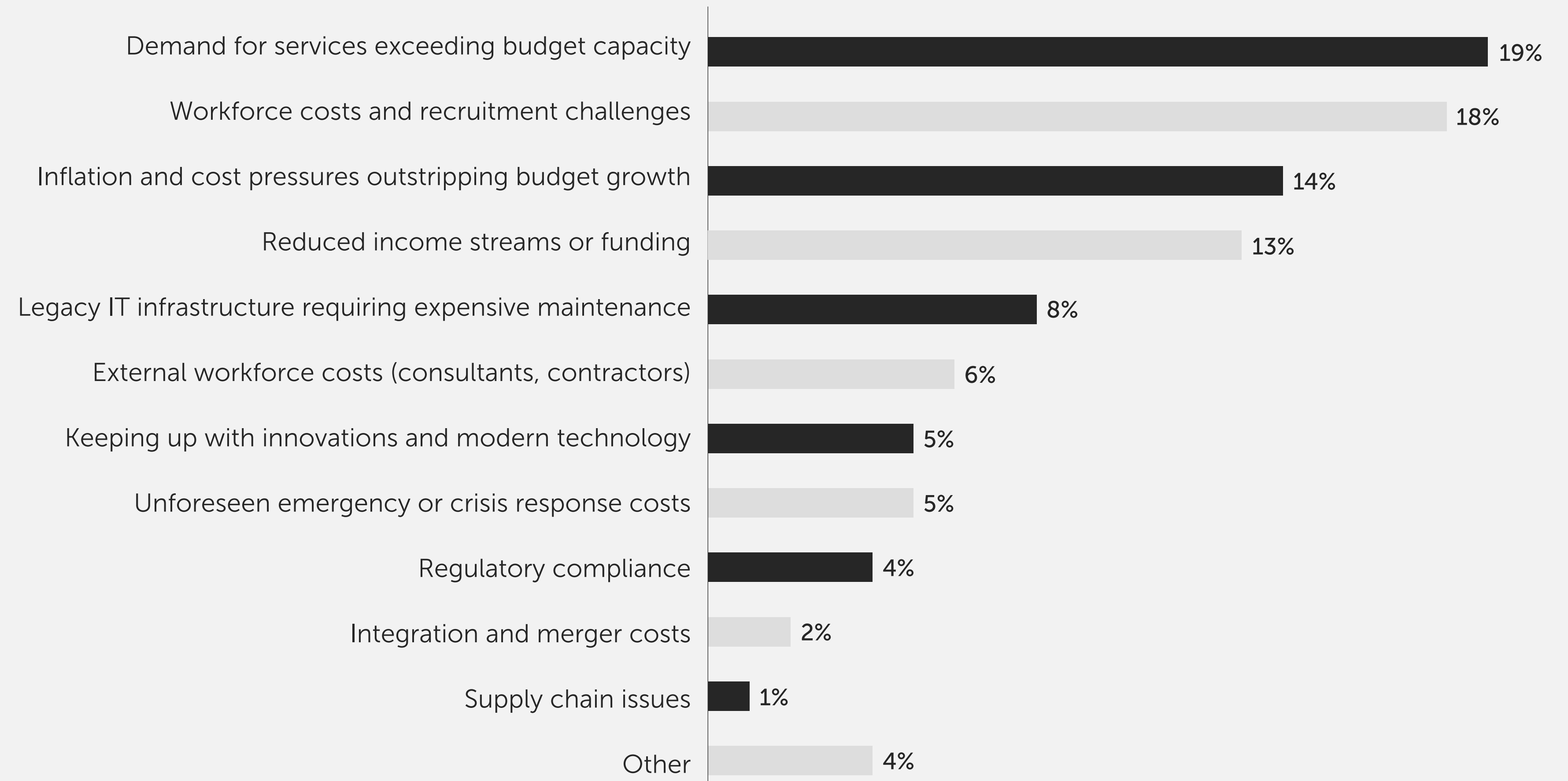
Level of financial pressures by sector



Top financial challenges

When asked to identify their top three financial challenges, respondents across all four sectors pointed to two dominant forces: *'Demand for services exceeding budget capacity'* (19%) and *'Workforce costs and recruitment challenges'* (18%).

Your organisation's greatest financial challenge



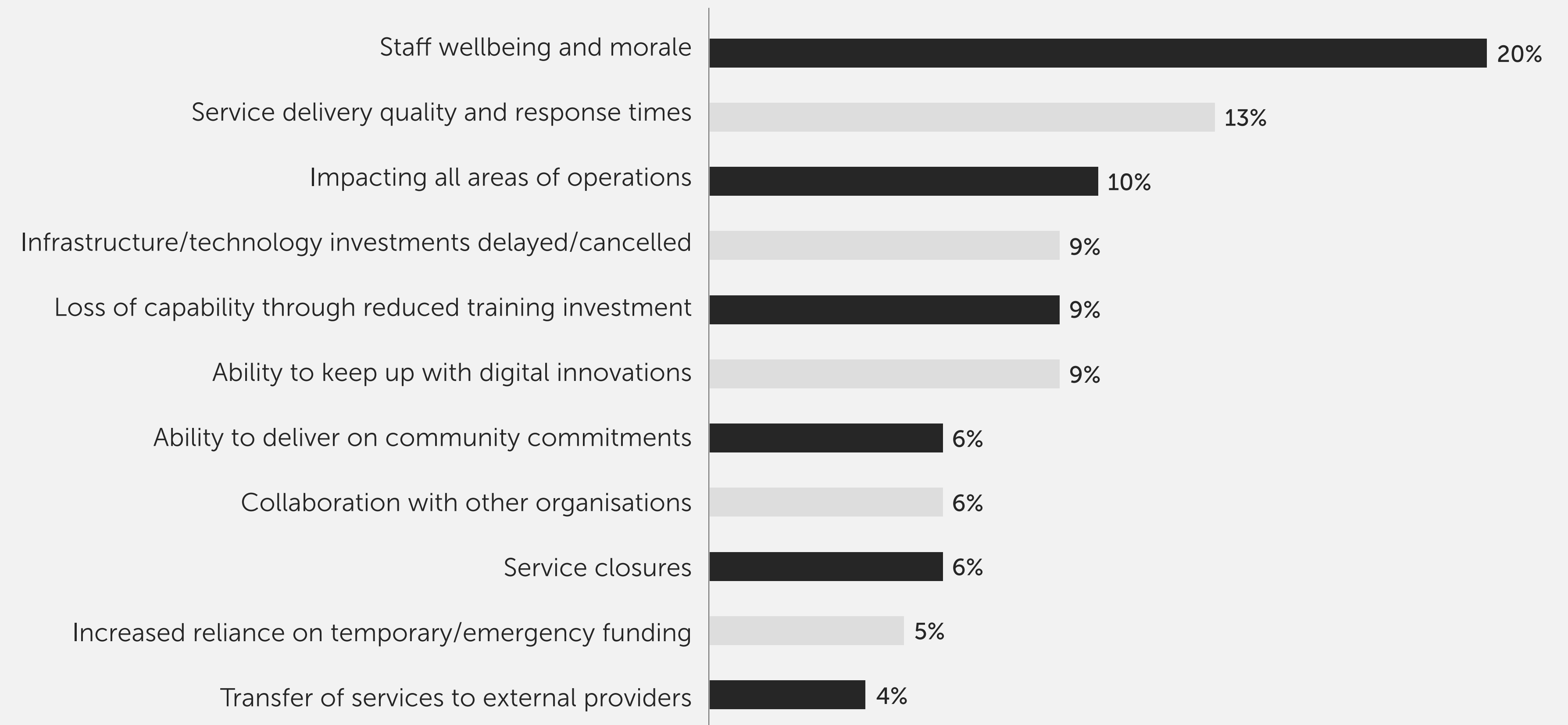
Where financial pressure hits hardest

The human cost is felt in all four sectors. *'Staff wellbeing and morale'* is identified as the area most impacted by financial strain, cited by 20% of respondents. It is the top answer in every single sector, but in education, the figure rises to 25%.

Over a quarter of all responses demonstrate how the impact of technology to help overcome financial pressures is left constrained: *'Infrastructure/technology investments delayed/cancelled'* accounts for 9% of responses, which is on par with *'Loss of capability through reduced training investment'* and *'Ability to keep up with digital innovations'*, all taking 9% each.

These findings show that the very capabilities that could help organisations work their way out of financial difficulty are being cut to manage the financial difficulty itself. This challenge is at the heart of public sector financial resilience.

How has financial strain impacted your organisation's operations?



The hidden cost: Collaboration under pressure

There is one dimension to the financial pressure in the public sector that the survey data captures broadly, but which comes to life in conversation with civil servants.

In our survey, *'Collaboration with other organisations'* is cited by 6% of respondents as an area impacted by financial pressure, and while that figure may be modest, it underlines something more concerning: organisations are struggling to share insights that could help them all.

At the CSW Collaboration Conference held in Leeds in November 2025, attendees described how financial pressure is actively preventing collaborative work across government. One participant explained that departments are choosing not to engage with others because their own budget constraints mean any proposal to try to work across boundaries will not survive internal prioritisation. The sentiment is that, at a time of scarcity, it's better to protect what you have.

Others pointed to office closures as a further barrier and explained that, as department close sites to save money, staff lose the physical proximity that enables informal collaboration.

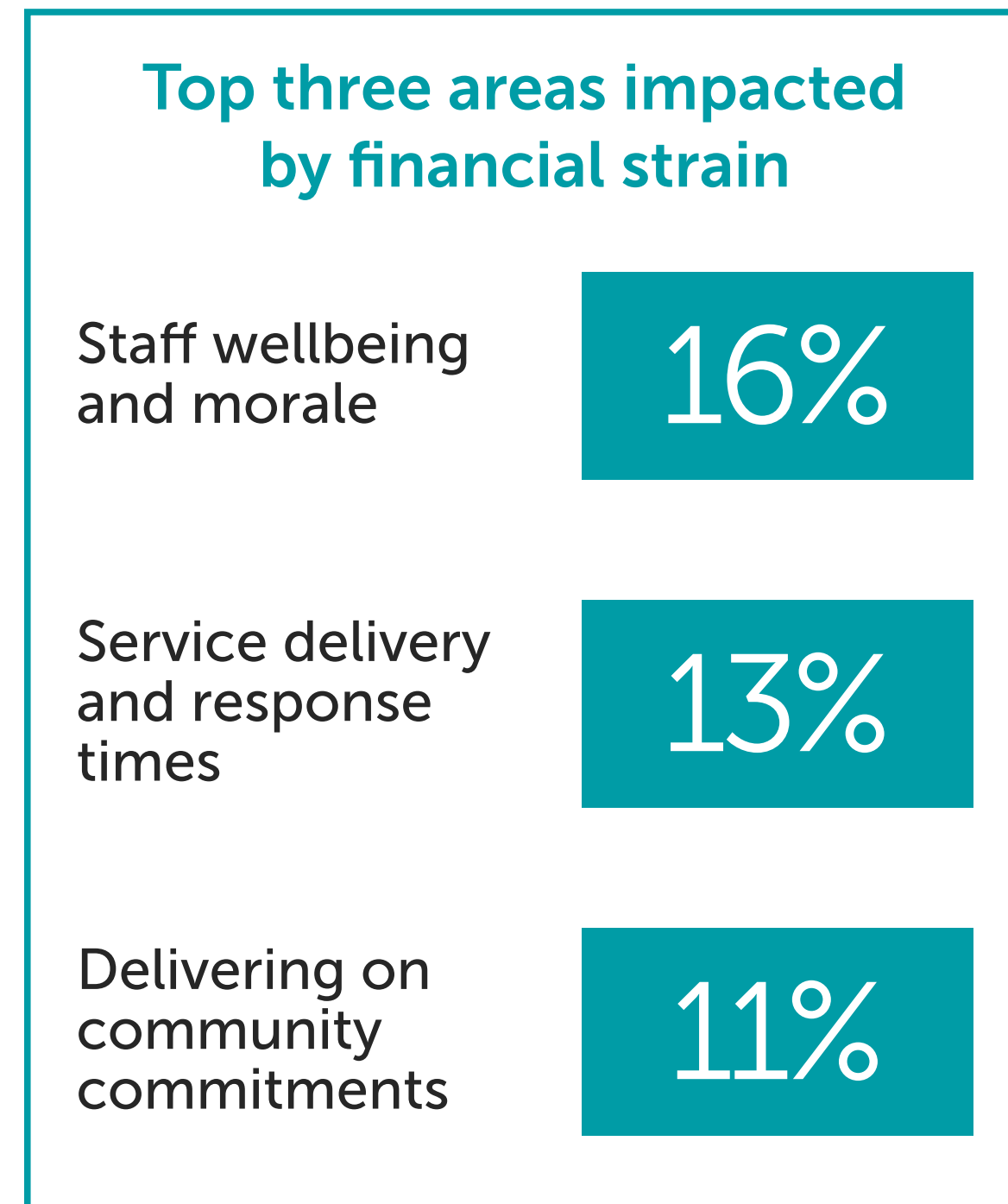
This pattern is already seen across the civil service. Last November, CSW reported that the Department for Business and Trade was [planning to close offices](#) in Bristol, Glasgow, Leeds, Newcastle, Cambridge, and Nottingham as part of 1,500 job cuts. Trade minister Sir Chris Bryant acknowledged the pressure, saying departments would have to achieve more with fewer people. PCS, the civil service's biggest union, warned that the department was gambling on AI and digital solutions to fill the gap.

Both perspectives add a human dimension to the survey findings. Financial pressure not only cuts budgets but also cuts the connections between organisations. And those connections are precisely what the public sector needs if it is to find shared solutions to shared problems.

'Collaboration with other organisations' is cited by 6% of respondents as an area impacted by financial pressure

Sector breakdown

Local government



Local government is under the most acute financial stress of any sector surveyed with 'Significant budget shortfalls requiring major service reductions' receiving the highest rate for that response across all four sectors. A further 13% say the financial situation of their organisation is 'Critical: approaching or in financial crisis'.

The pressures here are rooted in the fundamentals of council finances, which reflects the structural squeeze councils face: legal duties are expanding while expenses climb and financial support is not keeping up.

The strain is also showing in ways that directly affect communities. While 'Staff wellbeing and morale' remains the top impact of this financial pressure, local

government respondents also point to 'Ability to deliver on community commitments' (11%). It's the highest of any sector and more than three times the central government figure of 3%.

'Service closures' are cited by 8% of local government respondents, again above the cross-sector average (6%). These findings show organisations stretched beyond their resources, with the consequences of financial pressure showing not just internally but also on the front line: in core services and in the communities they serve.

When councils cannot invest in the tools to manage rising demand, the consequences are felt directly by the people they serve.

When councils cannot invest in the tools to manage rising demand, the consequences are felt directly by the people they serve

Sector breakdown

Healthcare



Healthcare matches local government in the severity of its financial distress. The proportion reporting their organisation as *'Critical: approaching or in financial crisis'*, however, is 18%, the highest of any sector by a significant margin.

The sector is challenged by relentless demand growth clashing with a workforce that is both expensive to maintain and difficult to recruit. The impact of these financial pressures follows this pattern, with *'Staff wellbeing and morale'* the highest response at 20%.

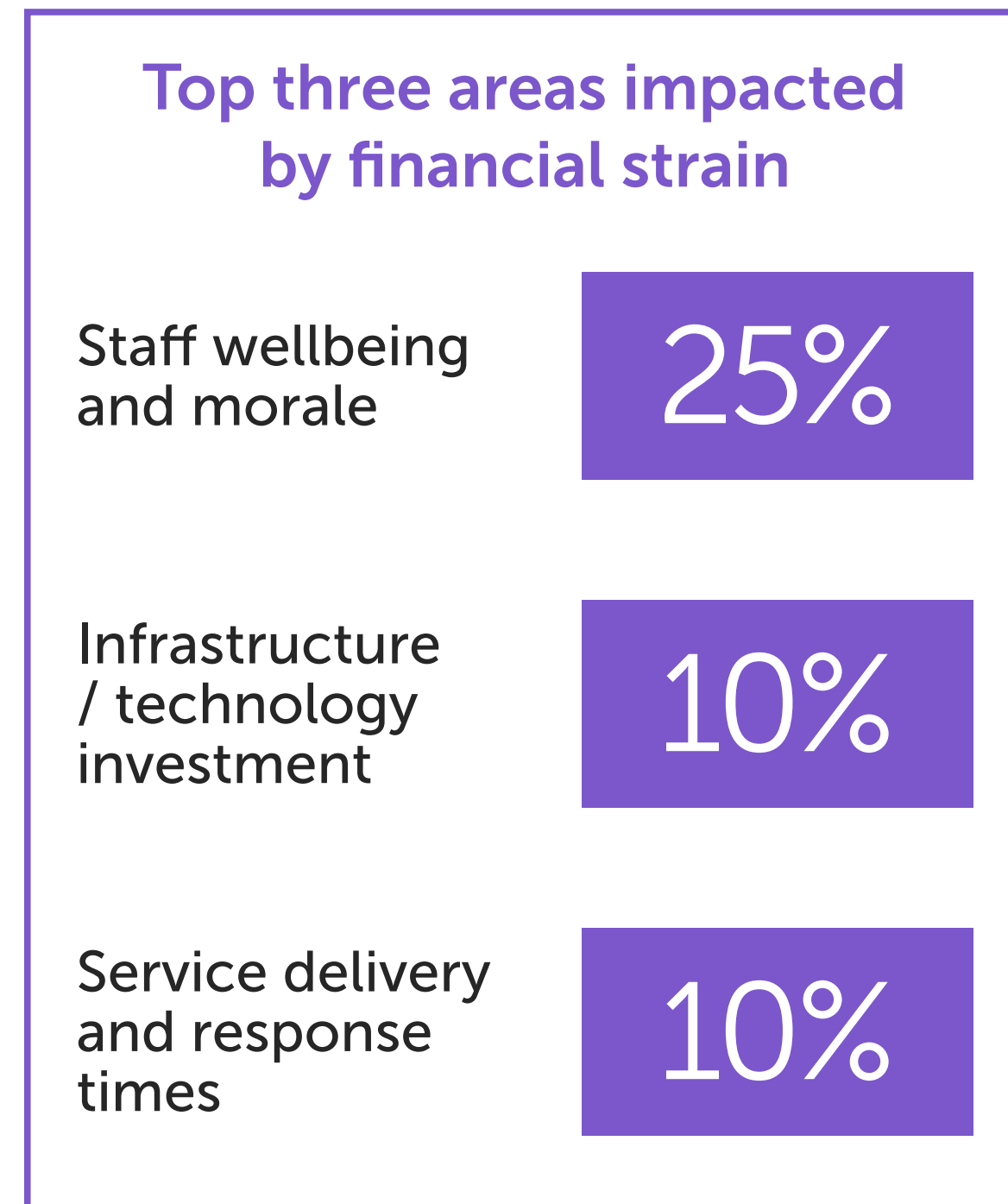
'Service delivery quality and response times' follows at 14%, with *'Increased reliance on temporary/emergency funding'* standing at 7%, the highest of any sector. These results reflect a pattern of short-term fixes rather than sustainable planning.

Healthcare also records the highest rate of *'Impacting all areas of operations'* at 12%, suggesting that financial strain has become so prevalent that it can no longer be isolated in specific areas.

These results reflect a pattern of short-term fixes rather than sustainable planning

Sector breakdown

Education



The education sector presents a different financial profile, with headline figures somewhat less acute than in local government or healthcare. More than 35% of respondents describe conditions as *'Substantial: manageable but requiring efficiency savings and service changes'*.

The challenges putting pressure on the sector are distributed broadly. There isn't a dominant pressure, but the sector faces a combination of funding constraints, rising costs and workforce challenges that eat into budgets from multiple directions at once.

Furthermore, the human impact is the most pronounced of any sector. *'Staff wellbeing and morale'* is cited by 25% of education respondents, significantly above the cross-sector average of 20%.

One in five respondents (20%) selected *'Don't know'* when asked to characterise the level of financial pressure (the highest uncertainty of any sector), which may itself reflect the difficulty of navigating budgets that are squeezed in so many different ways at once.

The sector faces a combination of funding constraints, rising costs, and workforce challenges

Sector breakdown

Central government

Top three areas impacted by financial strain

Staff wellbeing and morale

20%

Service delivery and response times

15%

Keeping up with digital innovations

12%

Top three financial challenges

Workforce and recruitment

21%

Demand exceeding budget

18%

Legacy IT infrastructure

15%

'Workforce costs and recruitment challenges' is the top financial challenge for central government responses at 21%, the highest of any sector. Close behind is 'Demand for services exceeding budget capacity' at 18%.

But what sets central government apart is the score of 'Legacy IT infrastructure requiring expensive maintenance', which is more than double the rate seen in local government (6%), healthcare (5%), or education (6%). This result reflects the well-documented burden of ageing Whitehall IT systems.

The impact of these pressures is felt most deeply in people and capability, but central government is also the sector where technology-related impacts are

most visible: 'Ability to keep up with digital innovations' is cited by 12% and 'Infrastructure/technology investments delayed/cancelled' by 11%, both the highest of any sector.

It's clear that the workforce is under pressure, and they see the tools and skills they need to modernise falling further out of reach. This aligns with the findings of the Public Accounts Committee, which [warned that government "lacks capability" to address longstanding digital procurement issues](#), citing an insufficient level of digital commercial skills across departments.

Results reflect the well-documented burden of ageing Whitehall IT systems

In a nutshell:

Rising demand, workforce costs and constrained budgets

This section has set out the financial landscape across the four areas of the public sector surveyed. Organisations are dealing with sustained financial pressure driven by rising demand, workforce costs and constrained budgets. That pressure has a direct impact on staff wellbeing and morale, reducing service delivery quality and response times and, critically, undermining the technology and the investment (in skills and infrastructure) that could offer a way forward. It is also isolating organisations from one another at the very moment when collaboration is most needed.

In the next section, we examine whether the digital tools and infrastructure already in place are making a difference, and what stands in the way of greater impact.



Section 2

Digital adoption and effectiveness

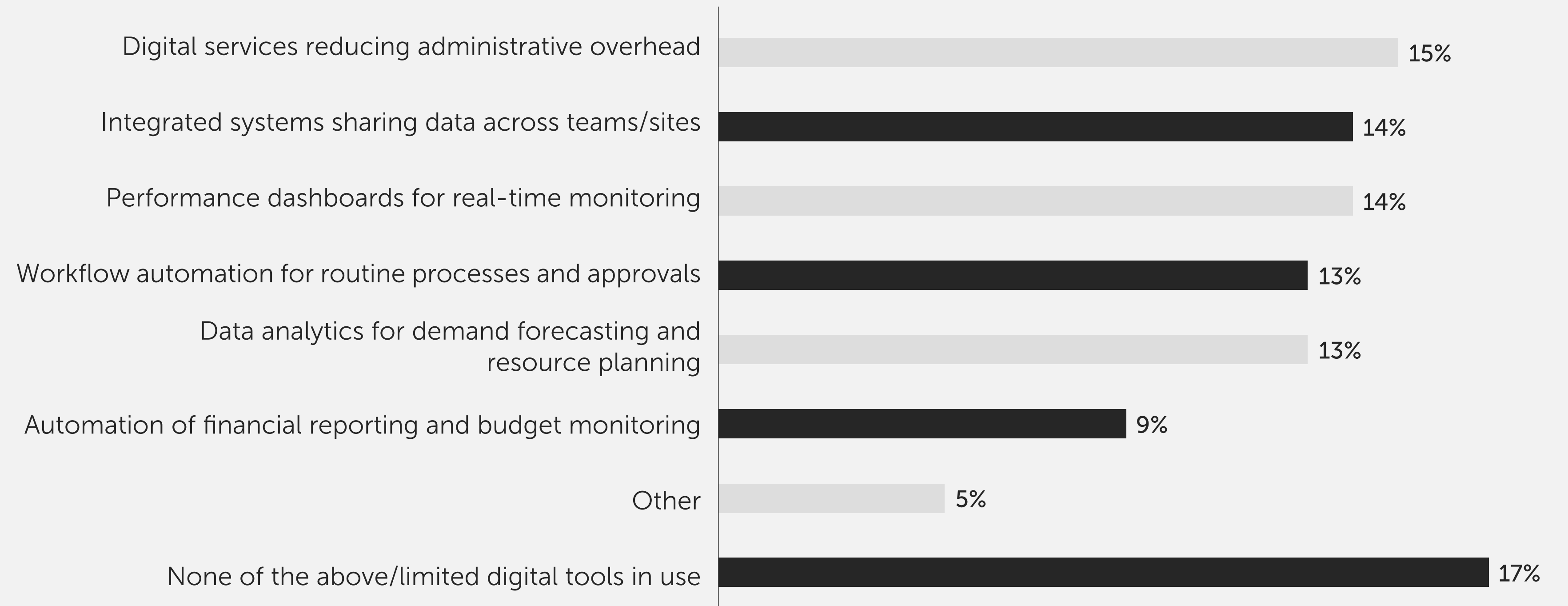
Section 1 established that current financial pressures undermine the very investments that could help organisations survive. This section examines what digital tools are currently in place, how effective they are, and what stands in the way of greater impact.



Digital tool adoption

Most strikingly, when asked which digital tools or solution your organisation is adopting to help manage financial pressures, on average, 17% of all respondents across the public sector report their organisations have *'None of the above/limited digital tools in use'*. In education, that figure reaches 28%, nearly three times the central government rate of 9%.

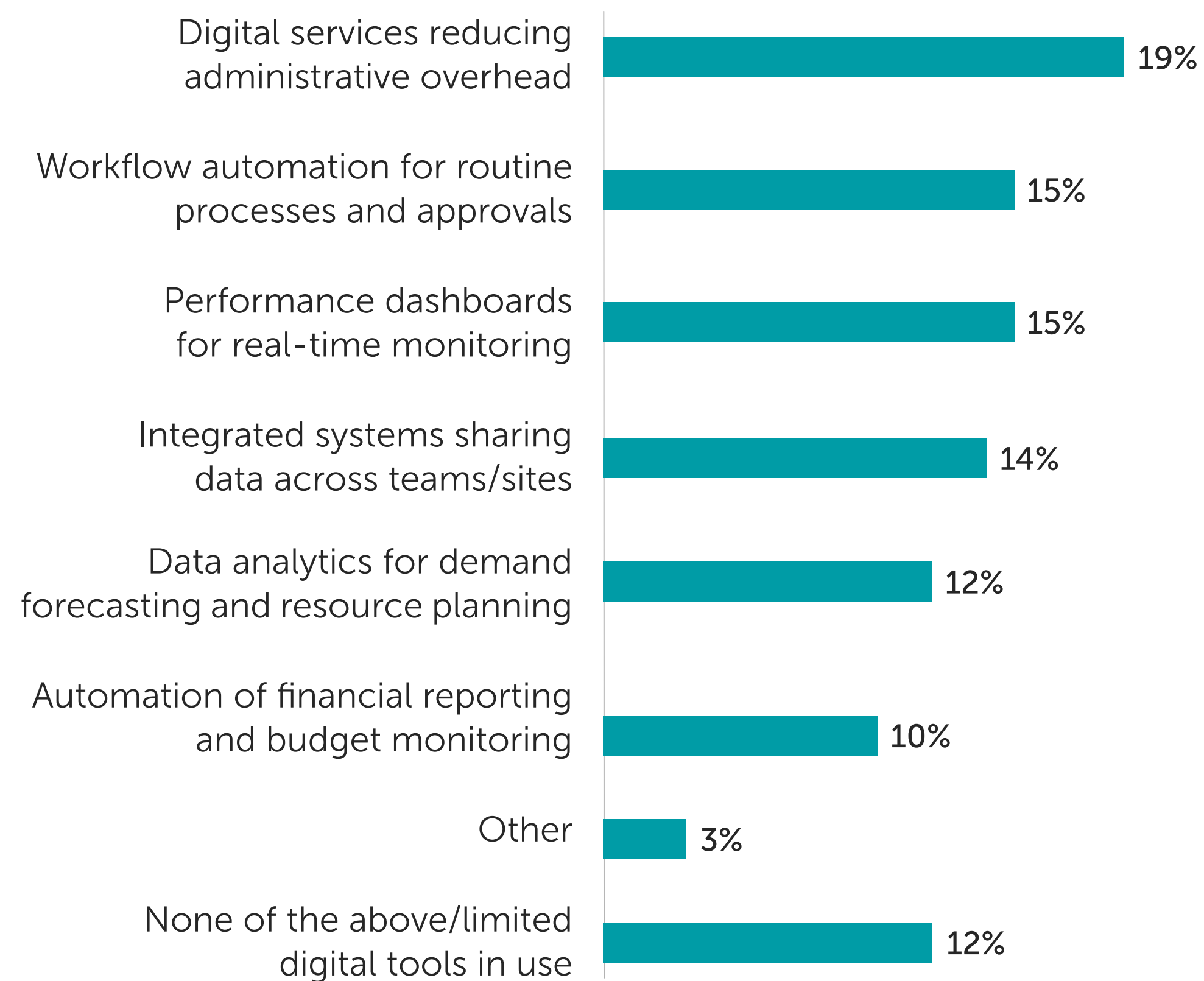
Which digital tools or solutions is your organisation adopting to help manage financial pressures?



Across all four sectors, a significant proportion of organisations still lack basic digital infrastructure

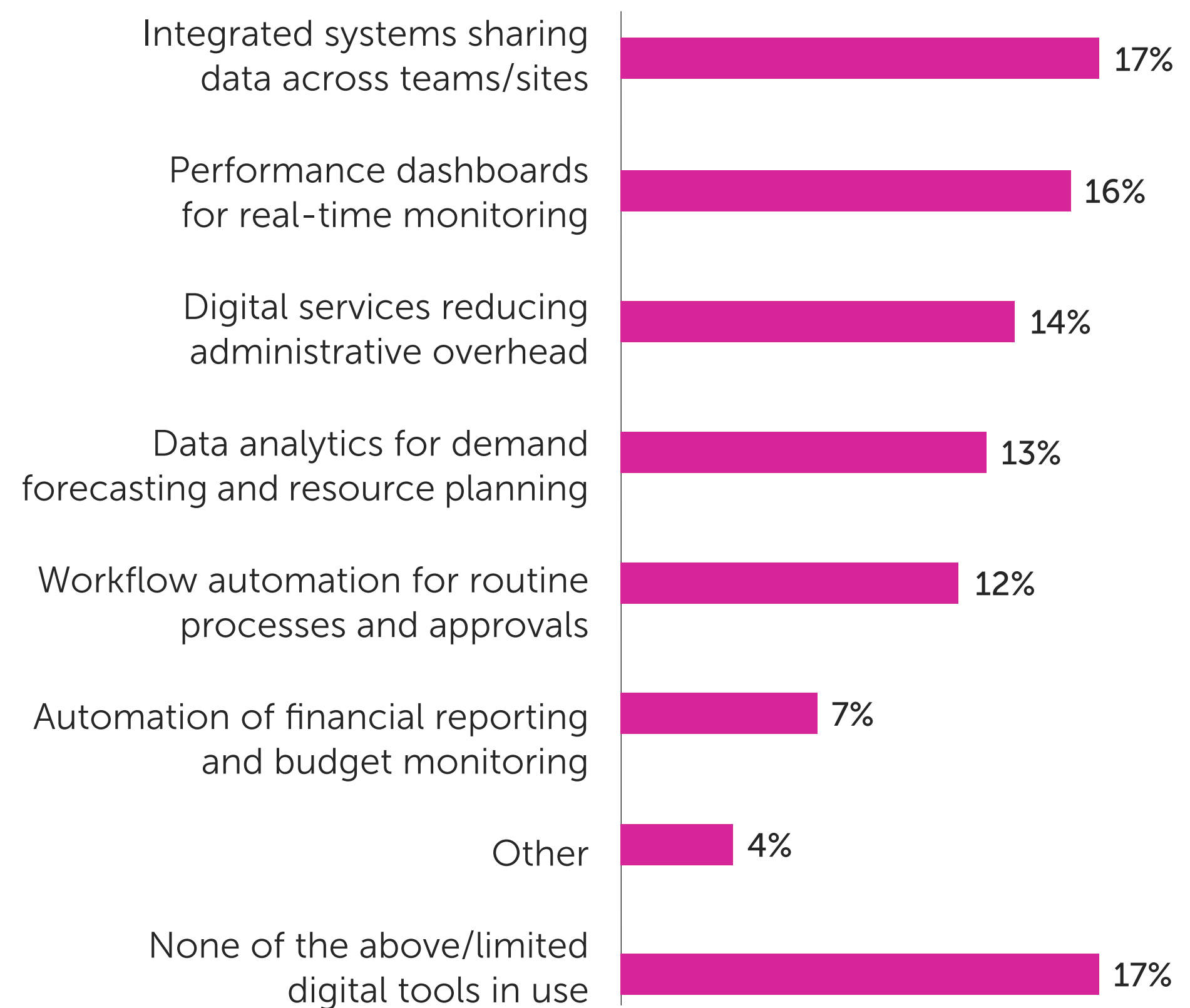
Local government - Current digital tools

These results suggest councils have prioritised tools that directly reduce cost. Local government is particularly strong in using digital services to reduce administrative overhead (19%), the highest for any sector on that measure.



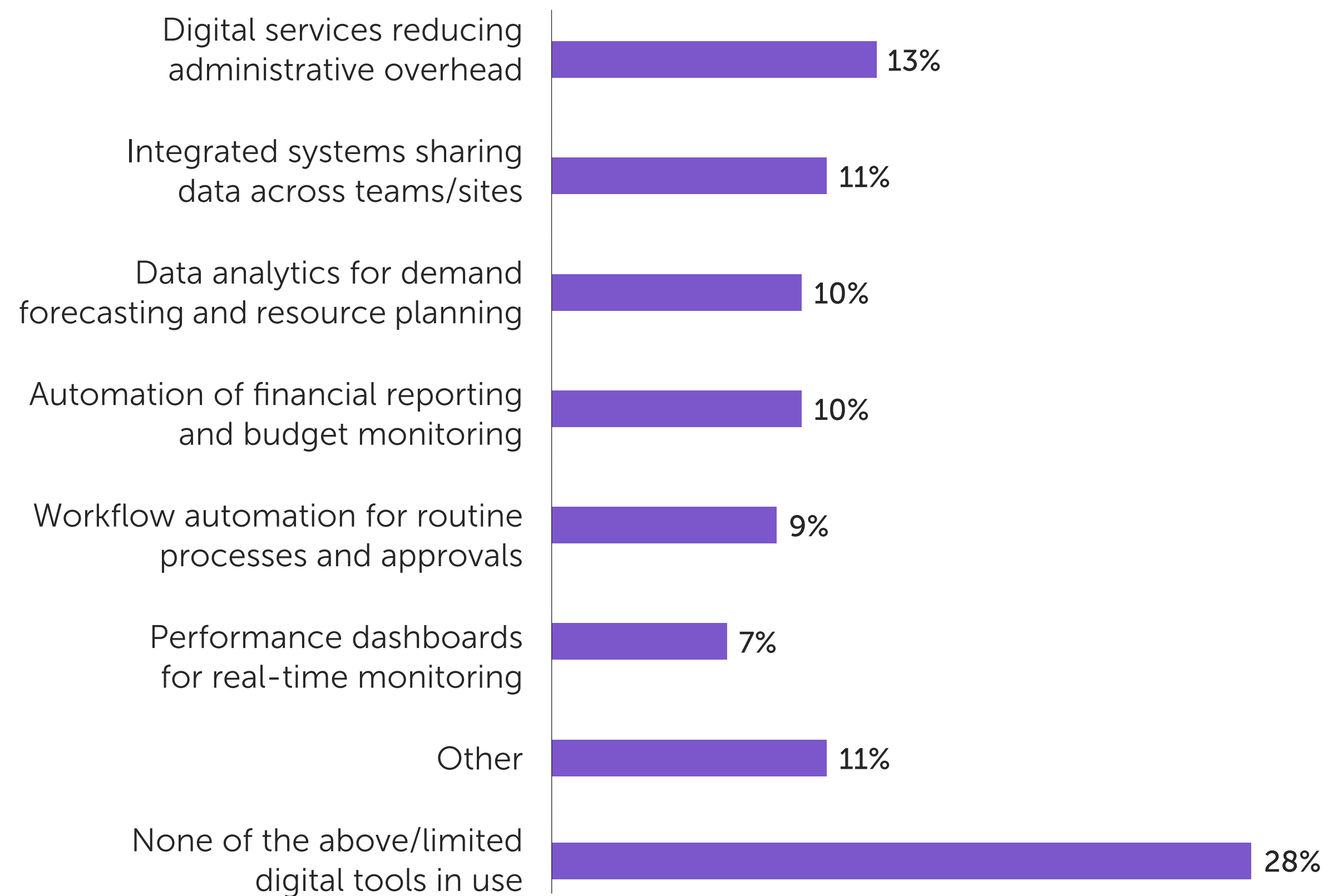
Healthcare - Current digital tools

Survey findings show a healthcare sector with strengths in specific areas of digital adoption. It leads all sectors in 'Integrated systems sharing data across teams/sites' at 17%, reflecting the clinical need for joined-up patient data.



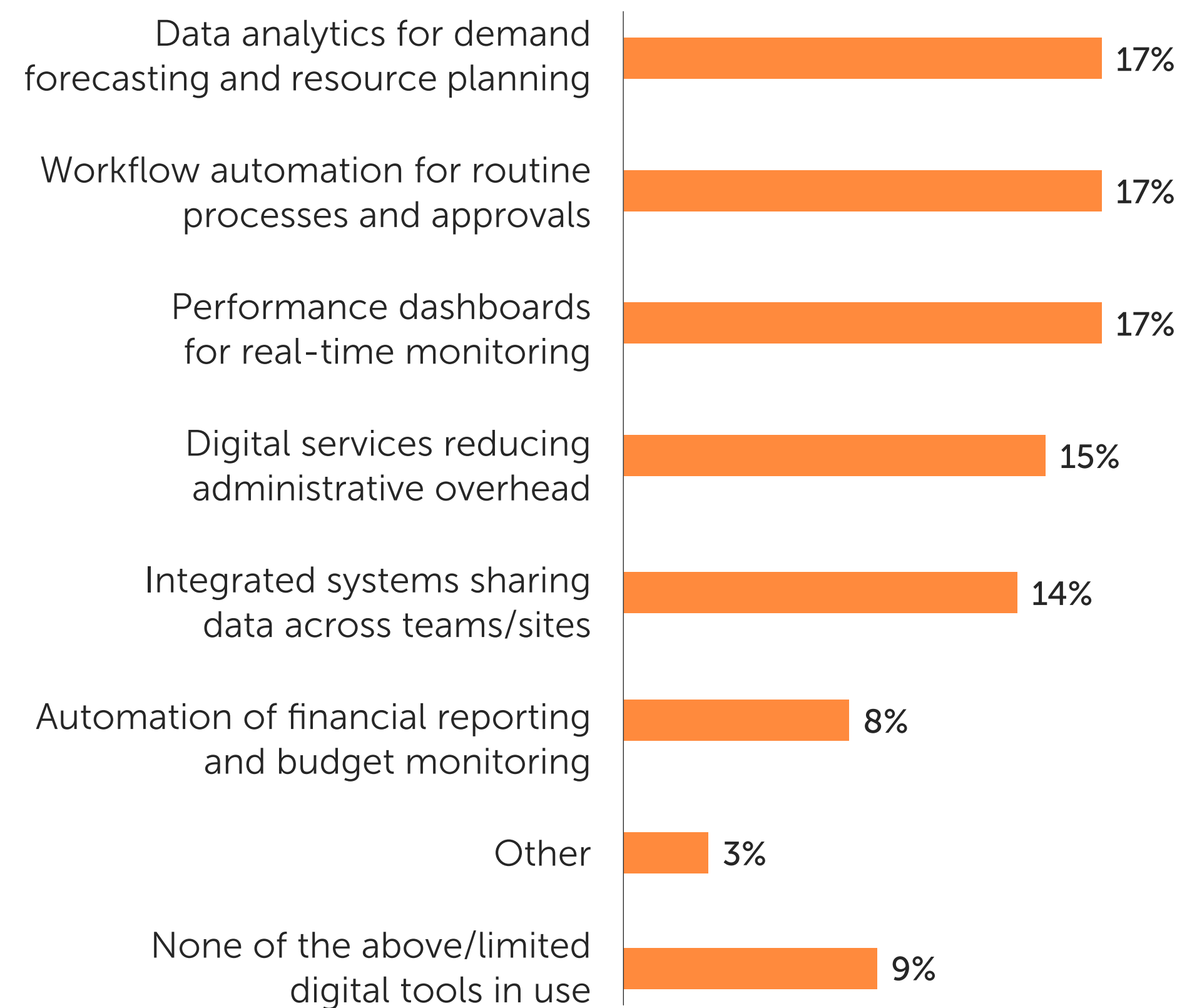
Education - Current digital tools

Education is quite different from the other three sectors in the scale of its digital gap. Here, over a quarter of respondents (28%) report 'None of the above/limited digital tools in use', nearly three times the central government figure. What's more telling is that every digital tool which this research examined is used at lower rates than in any other sector.



Central government - Current digital tools

Central government shows the broadest adoption, with relatively even use across all tool categories.



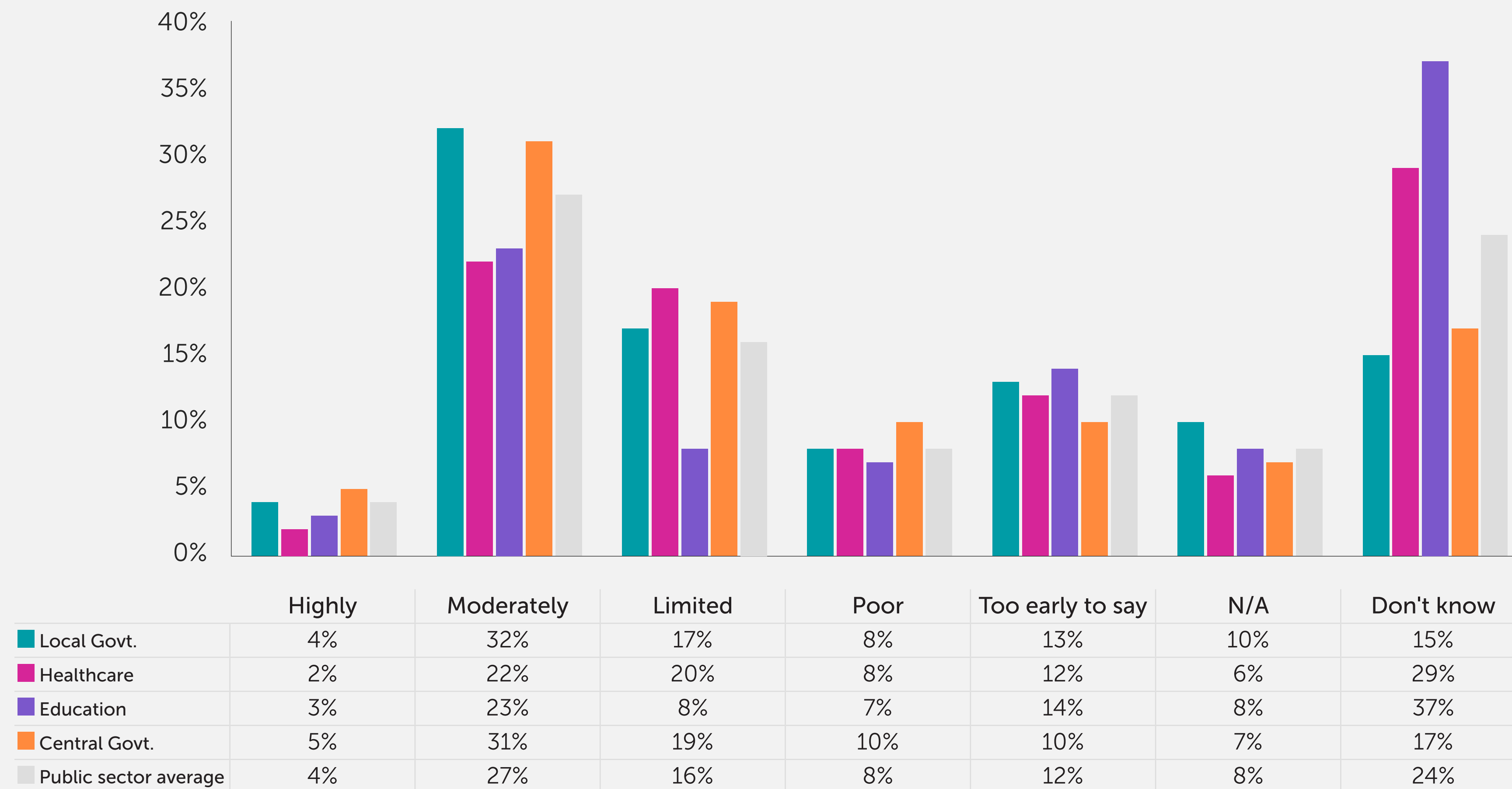
Digital tools effectiveness

Public sector professionals were asked how effective they thought the digital tools adopted within their organisation have been:

Highly effective	Delivering measurable cost savings and efficiency gains
Moderately effective	Showing promise but benefits still emerging
Limited effectiveness	Tools exist but not delivering expected results
Poor effectiveness	Investment not translating into financial benefits
Too early to assess / recently implemented / still piloting	
Not applicable / minimal digital tools deployed	
Don't know	



How effective are your digital tools in mitigating financial pressures?



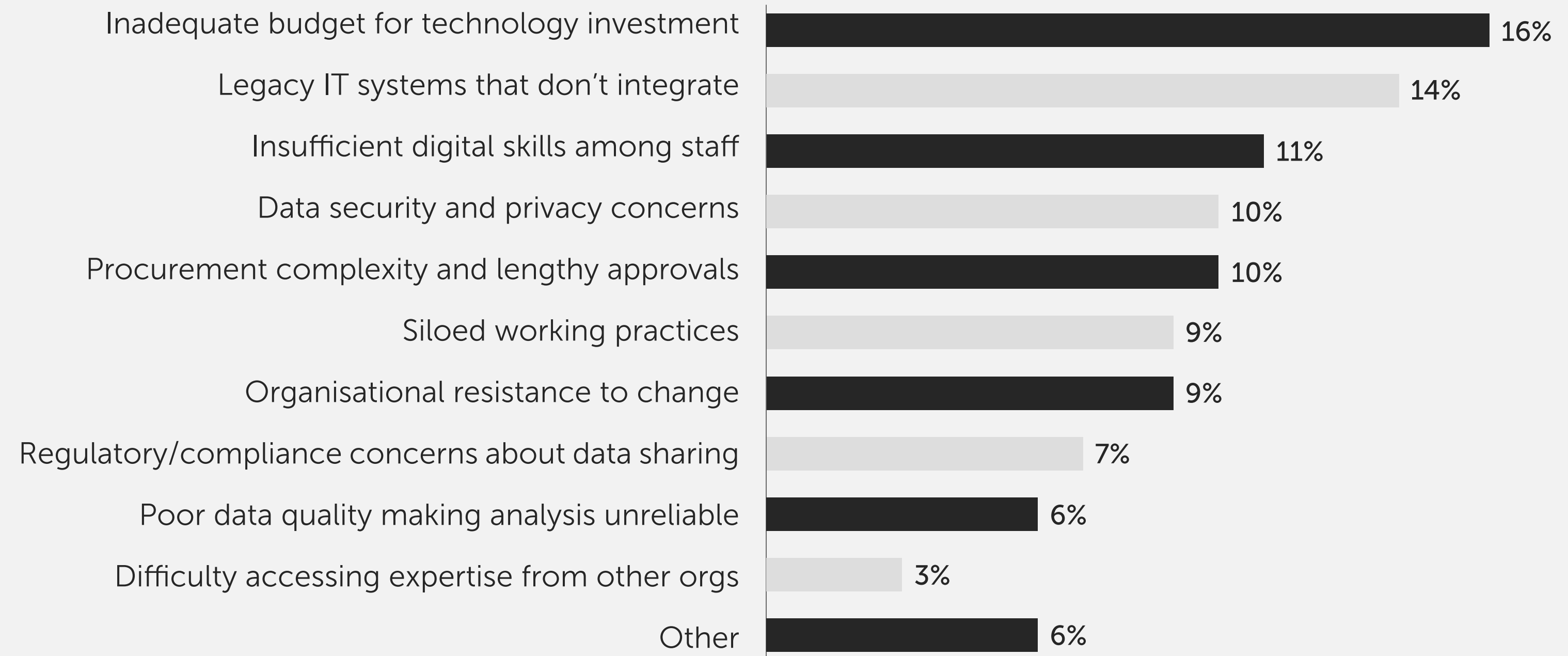
These results are a critical finding. Government has committed £1.9bn to cross-cutting digital priorities and £2bn to its AI Opportunities Action Plan. But this survey suggests that for many organisations there is a long way to go to unlock the full potential of digital tools to support financial resilience.

Often, the challenge is not the absence of tools but making the tools already in place work for them. High levels of people answering 'Don't know' suggests that more needs to be done to centralise digital strategy, communicate its aims throughout the organisation and track performance in this space.

Barriers to digital effectiveness

There are also many barriers around skills, processes and practices alongside a common cry for more technology investment.

What are the greatest barriers that prevent your organisation from using technology more effectively to strengthen financial resilience?

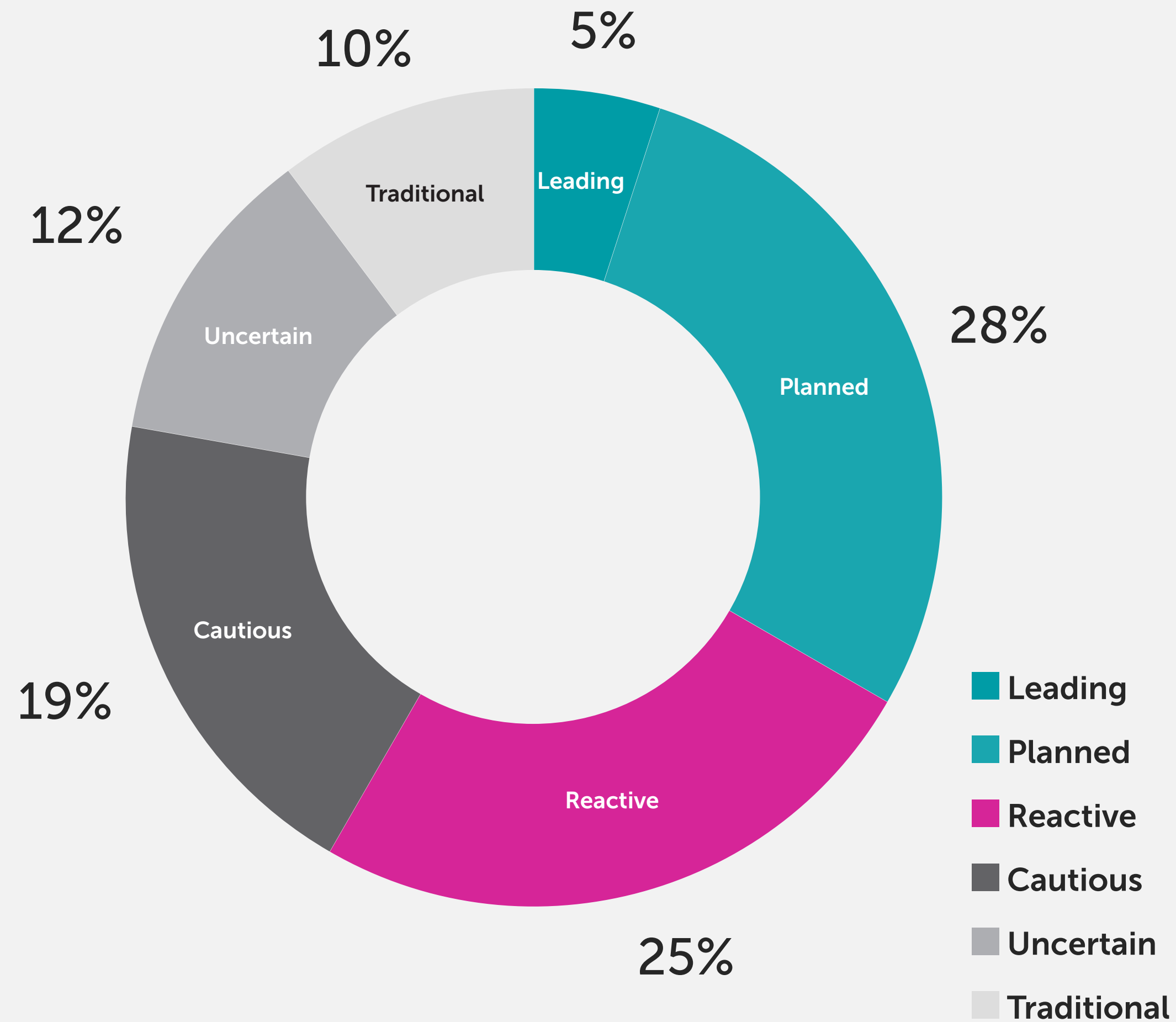


Digital investment approach

Respondents were also asked to describe their organisation's approach to digital investment:

Leading	Investing strategically in digital transformation as core to sustainability
Planned	Developing comprehensive strategy with phased implementation
Reactive	Implementing technology solutions as problems arise
Cautious	Interested but concerned about risks and costs
Uncertain	Unclear on best path forward for digital investment
Traditional	Focusing on conventional efficiency measures rather than technology

Public sector digital investment approach



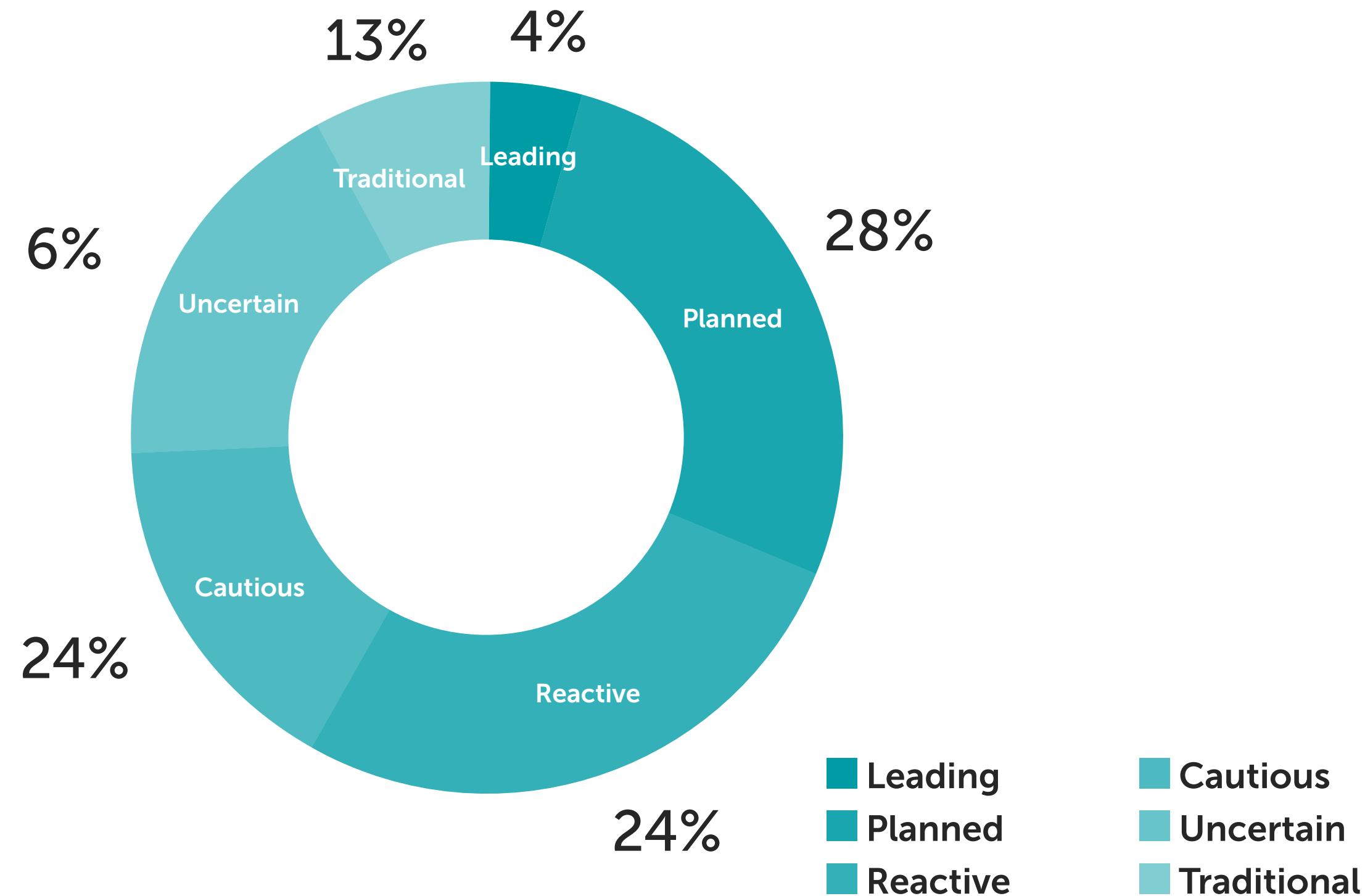
While a third of public sector organisations are on top of their digital strategy, a quarter that are operating on a reactive basis are likely to struggle long term, while the other 40% may be missing significant opportunities through a lack of strong leadership or planning.

Sector breakdown

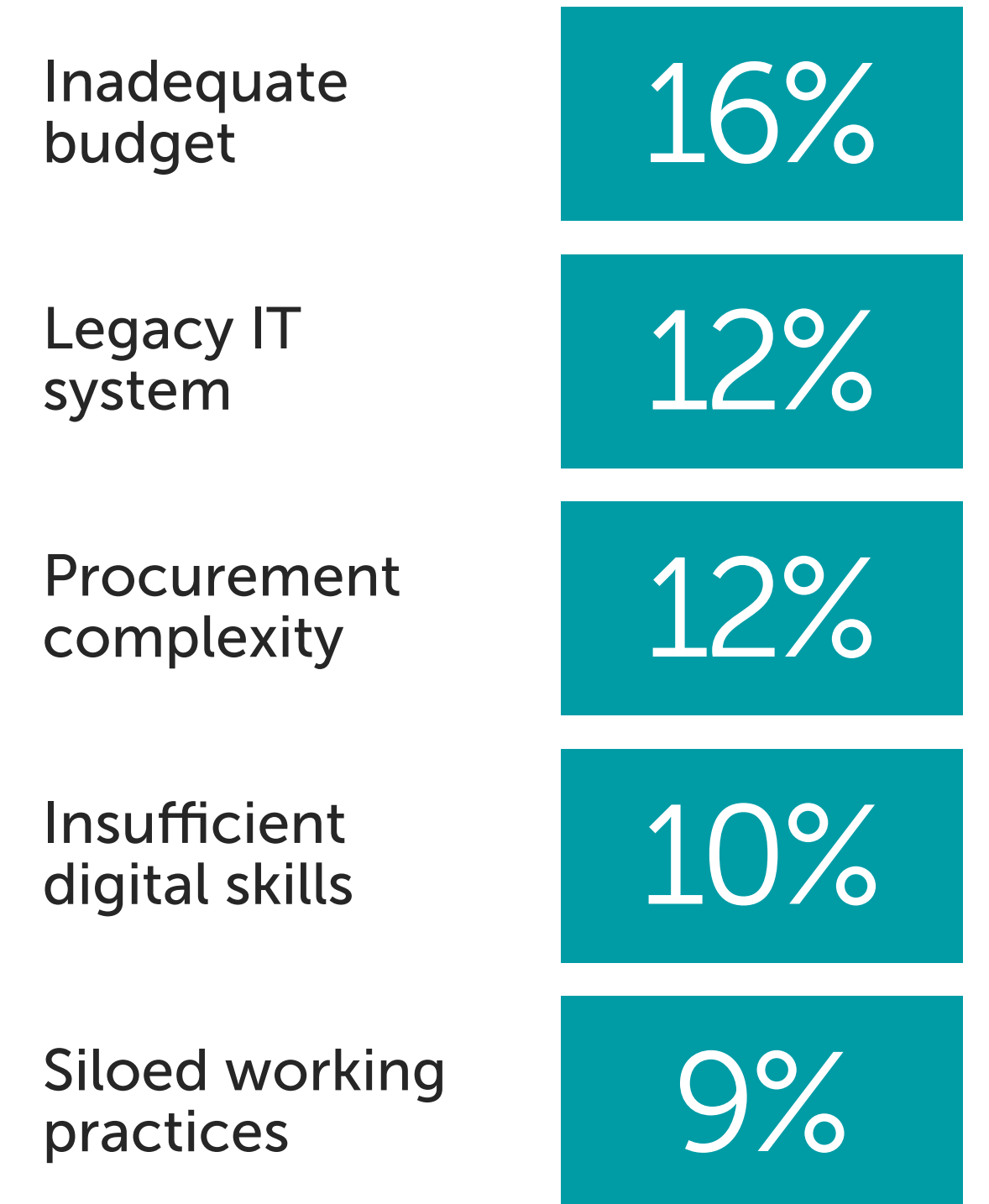
Local government

These results suggest that councils are caught between knowing what technology could do for them and not having the budget to deploy it fully. Local government has made progress in deploying practical digital tools, but the combination of budget constraints and procurement barriers is limiting how far that progress can go. Almost a third are demonstrating positive forward planning for digital investment, but with a quarter acting reactive and another quarter remaining cautious, many authorities have yet to take control of their digital transformation journey effectively.

Local government digital investment approach



Top five barriers to digital effectiveness

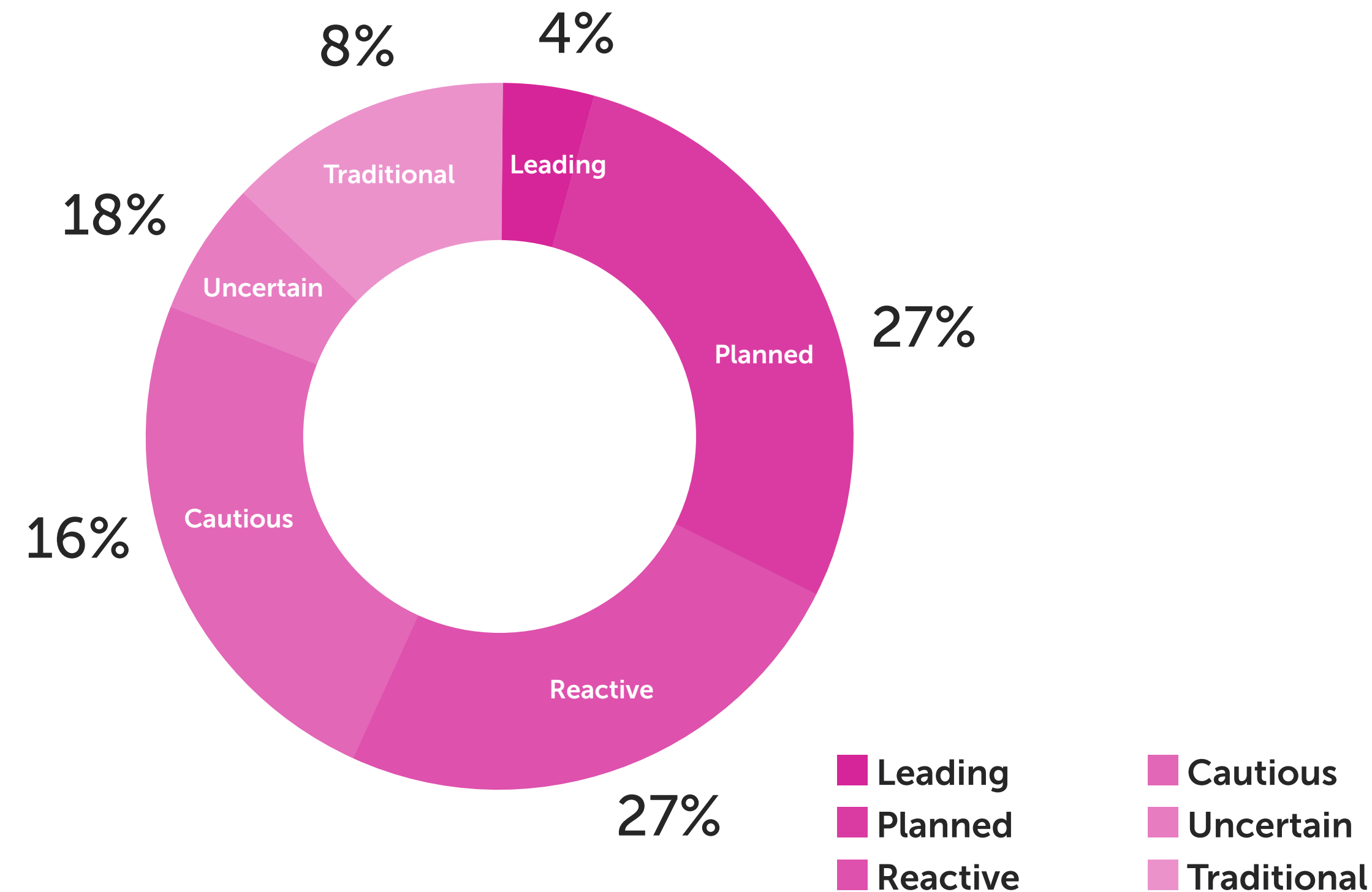


Sector breakdown

Healthcare

These results show a sector where digital investment is happening in pockets, often driven by clinical needs, but without a coherent strategy to connect those investments to broader financial sustainability. Moreover, the gap between what digital tools could deliver in healthcare and what they are currently delivering is among the widest of any sector.

Healthcare digital investment approach



Top five barriers to digital effectiveness

Inadequate budget

19%

Legacy IT system

17%

Procurement complexity

10%

Insufficient digital skills

9%

Data security / privacy concerns

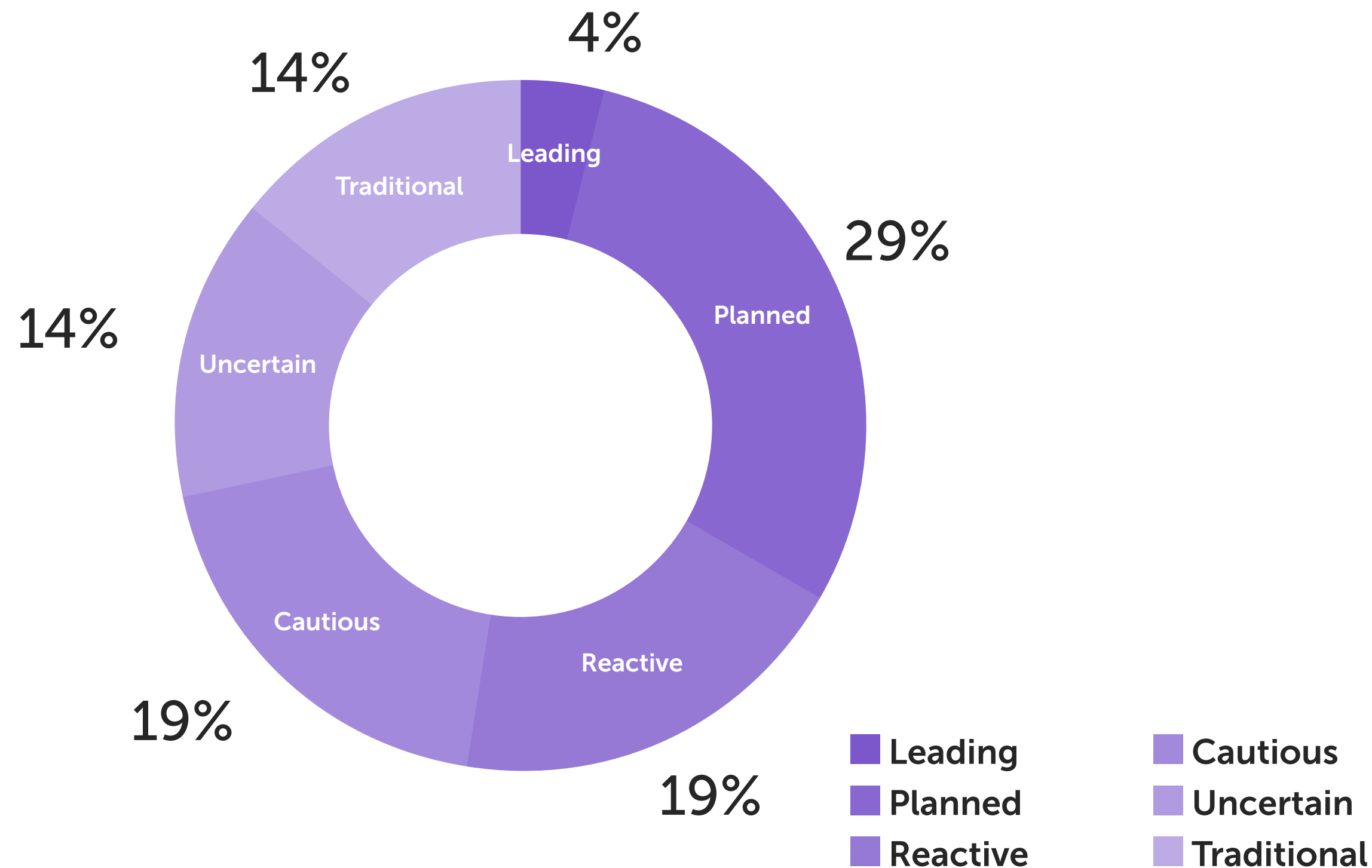
8%

Sector breakdown

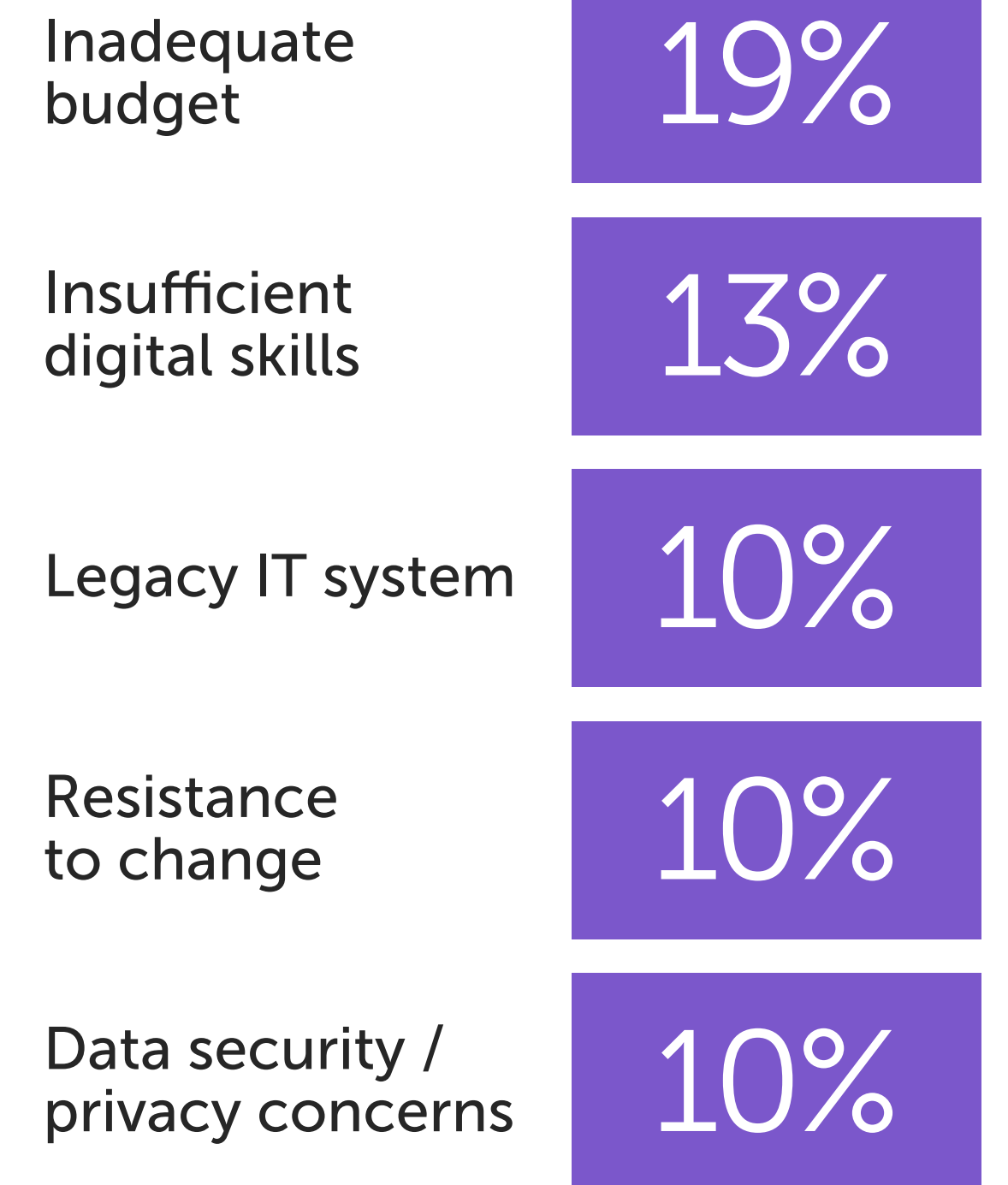
Education

These results reflect the education sector's lower levels of digital tool adoption and suggest that the cultural barriers to digital transformation may be as significant as the financial ones. The combination of low digital adoption, skills gaps, budget constraints and a preference for conventional methods suggests that education faces the longest journey towards digital maturity. Without targeted support and investment, the gap between education and the other sectors is likely to widen further.

Education digital investment approach



Top five barriers to digital effectiveness

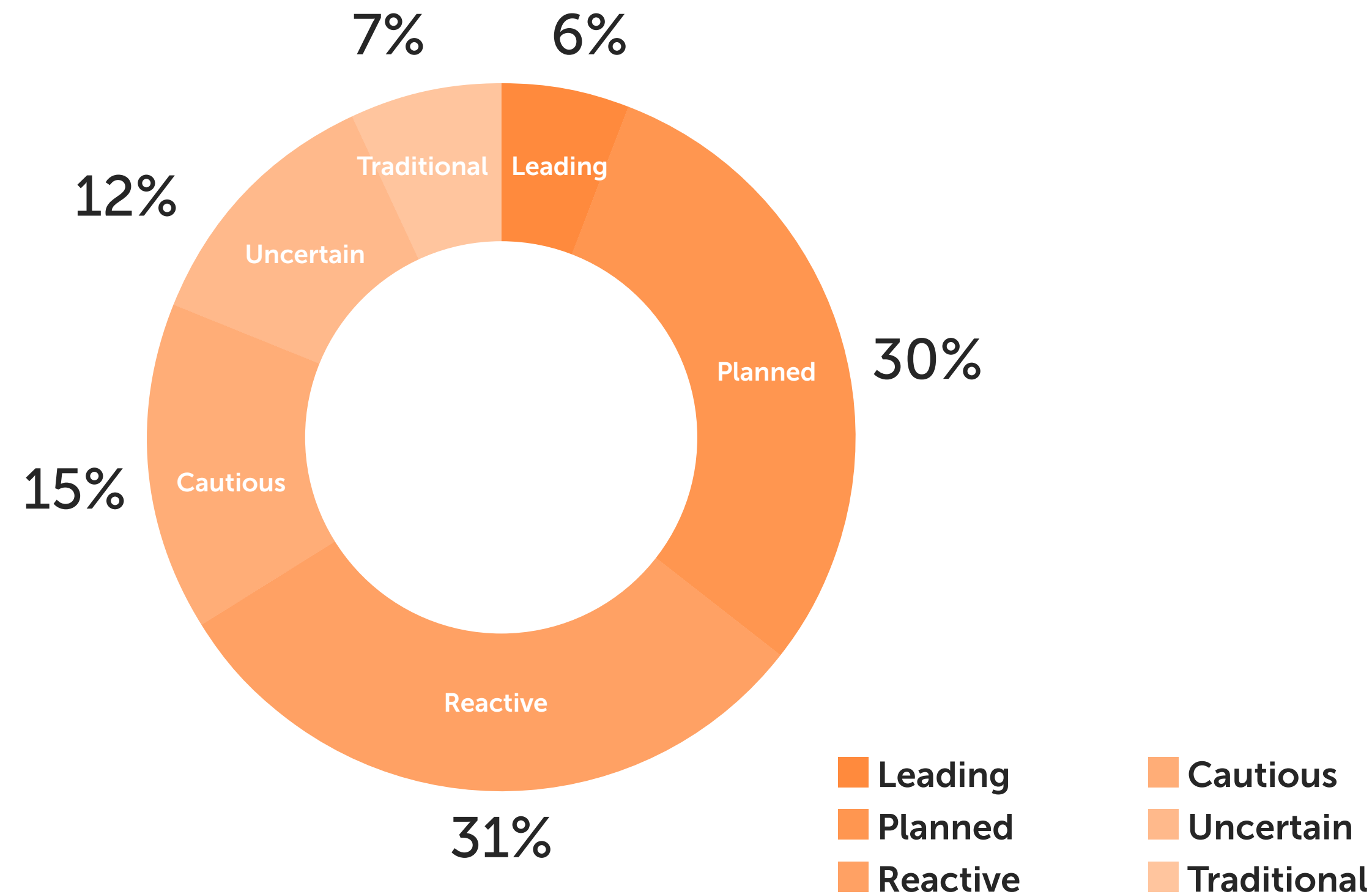


Sector breakdown

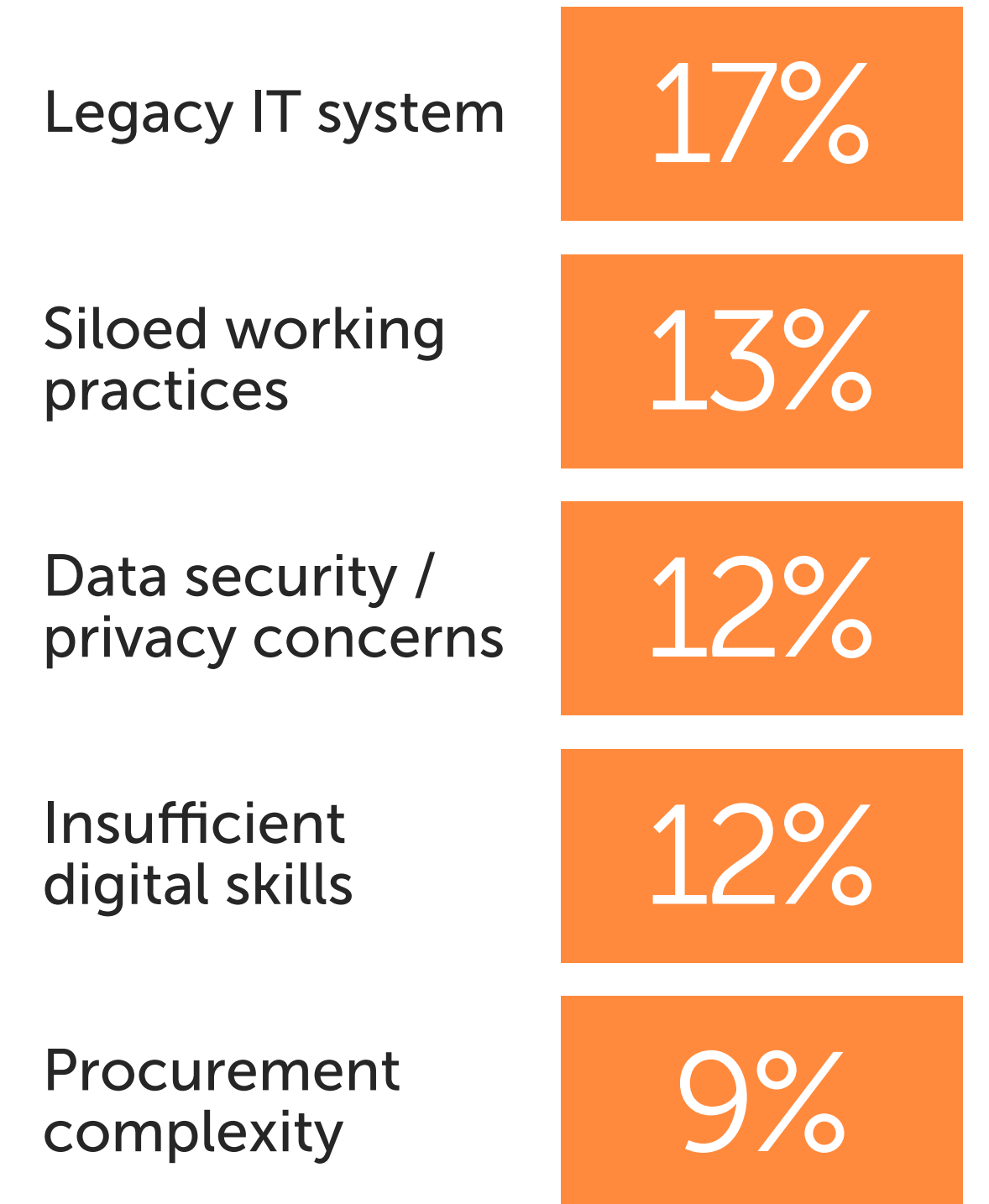
Central government

We've seen that central government has the broadest digital tool adoption of any sector, but these results also show the structural barriers that are rooted in the way Whitehall has been built over decades. Central government is also the least proactive sector in its approach to digital investment. The combination of relatively mature tooling, structural barriers and reactive strategy signals a sector that has invested in digital infrastructure but is struggling to realise its full potential.

Central government digital investment approach



Top five barriers to digital effectiveness



In a nutshell:

These results show a gap between ambition and practice. If digital transformation is to deliver financial resilience, it will require more organisations to move from a reactive to a strategic approach.

There are signs that the government recognises the same phenomena that this survey has uncovered. Darren Jones, the chief secretary to the Prime Minister, [set out plans to cut bureaucratic approvals that slow down digital delivery](#) across Whitehall. He pointed to a pilot at HMRC in which the number of approval processes needed to modernise its tax technology was cut from 40 to just two, saving an estimated three months in the delivery timeline. Jones argued that the current infrastructure cannot be fixed and that government needs to build a new digital state from the ground up.

While his language reflects a shift from continuous improvement to structural reform, survey findings suggest that the gap between a ministerial speech and a new procurement process remains, as nearly one in 10 respondents (10%) cite *'Procurement complexity and lengthy approvals'* as a barrier to digital effectiveness. Until the HMRC example becomes the norm rather than the exception, the reactive and cautious approaches that dominate this survey are unlikely to change.

In the next section we look at how ready public sector organisations are to take advantage of emerging AI technologies to support financial resilience, and that means reaching a suitable level of data and technology maturity first.

Section 3

AI readiness

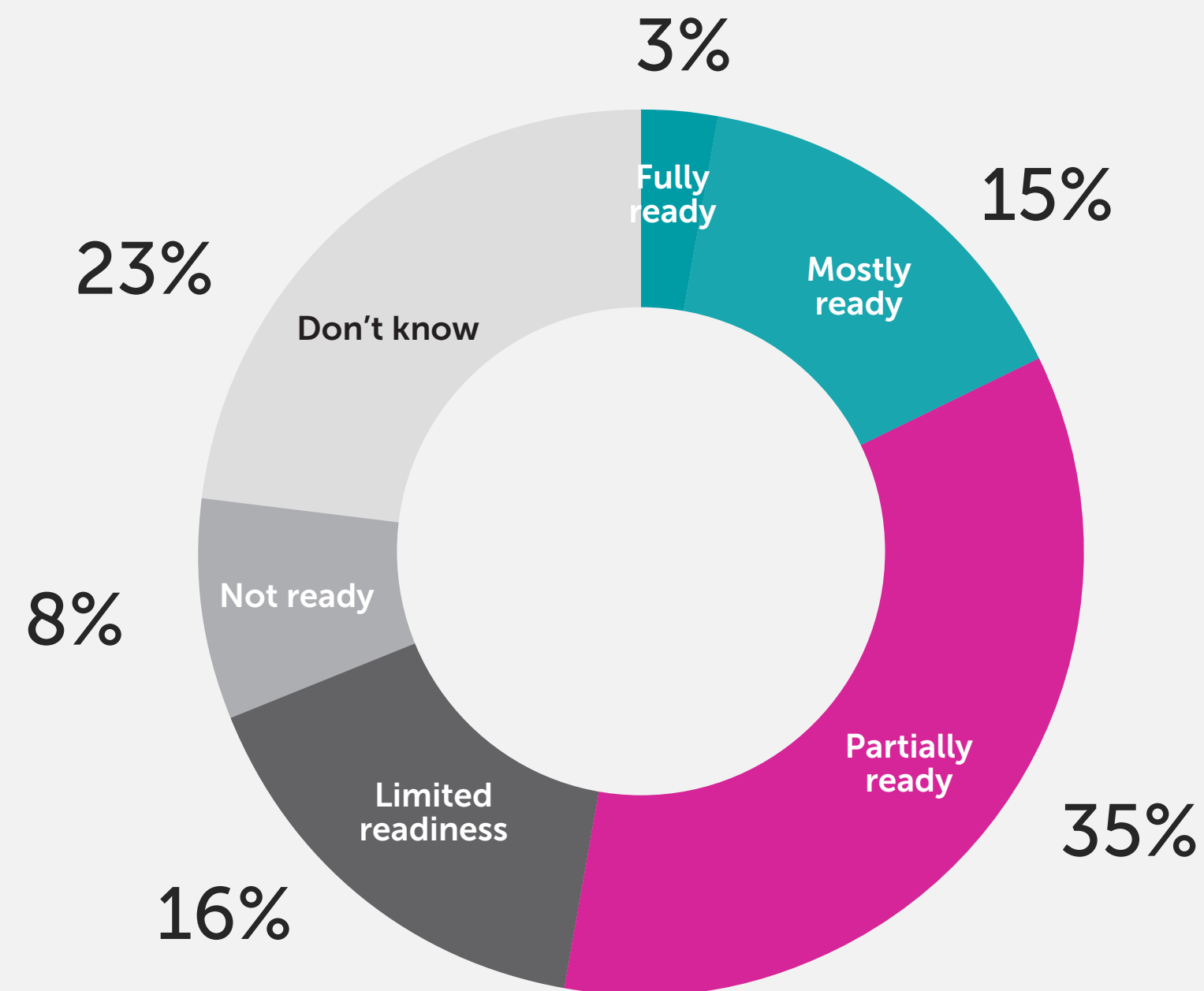
The government has put AI at the centre of its public sector reform agenda, with the Spending Review 2025 committing £2bn to the AI Opportunities Action Plan. The CustomerFirst unit, launched earlier this year, is one of many initiatives using the technology to transform how government serves the public. Getting there, however, will rely on a level of data and technology maturity first. In our survey, we asked the people expected to deliver this transformation whether they feel ready for such a move. This section reviews the results.

Survey findings show that across the public sector general readiness to scale digital solutions is not quite there yet.

Scaling digital solutions

The findings show a gap between how prepared organisations are and the high-level goals of current policy. The government is building an AI-powered public sector, but almost 60% of respondents in this survey describe their organisation as only partially ready or less to scale digital solutions. In other words, the foundations are not yet in place for the majority.

How ready is your organisation to scale digital solutions without reducing service quality?

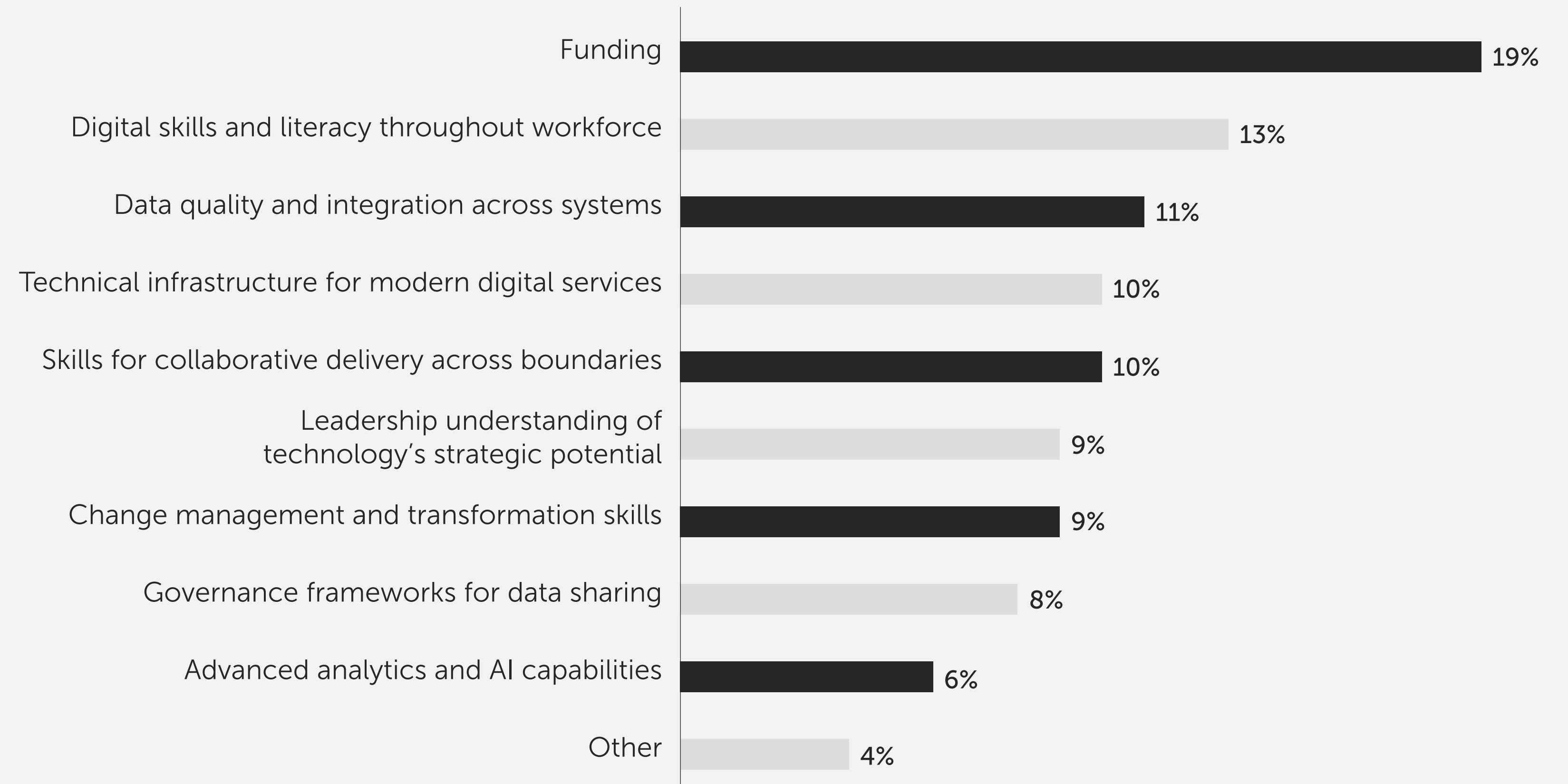


- Fully ready:** strong foundations, skills and governance in place
- Mostly ready:** good capabilities but some gaps to address
- Partially ready:** mixed capabilities, significant development needed
- Limited readiness:** substantial investment in foundations required
- Not ready:** lacking basic infrastructure and skills for scaling
- Don't know**

Challenges in meeting digital goals

In the context of shrinking core budgets, it is vital that organisations continue to prioritise investment in digital capabilities wherever possible. We sought to find out what factors commonly stand in the way.

Where is the largest gap between your organisation's digital goals and its current capabilities?





Organisations that cannot get good data flowing between their existing systems won't be able to deploy machine learning models on top of them

These results suggest that AI readiness is not so much about the technology itself but about the crucial building blocks for success: funding, skills, data quality and infrastructure. Organisations that cannot get good data flowing between their existing systems won't be able to deploy machine learning models on top of them. The foundations must come first.

The call for better foundations is already recognised within government. Early this year, Darren Jones, the chief secretary to the prime minister, argued that the current system cannot be fixed and that [government needs to build a new digital state from the ground up](#). He announced the return of a National School of Government and Public Services, funded by savings made through changes

to outsourced training contracts. The School's curriculum will be designed to equip civil servants with skills in technology, AI and strategic thinking, he said. He also pledged to change hiring criteria for senior civil servants, moving the focus from policy writing to frontline delivery, innovation and private sector experience.

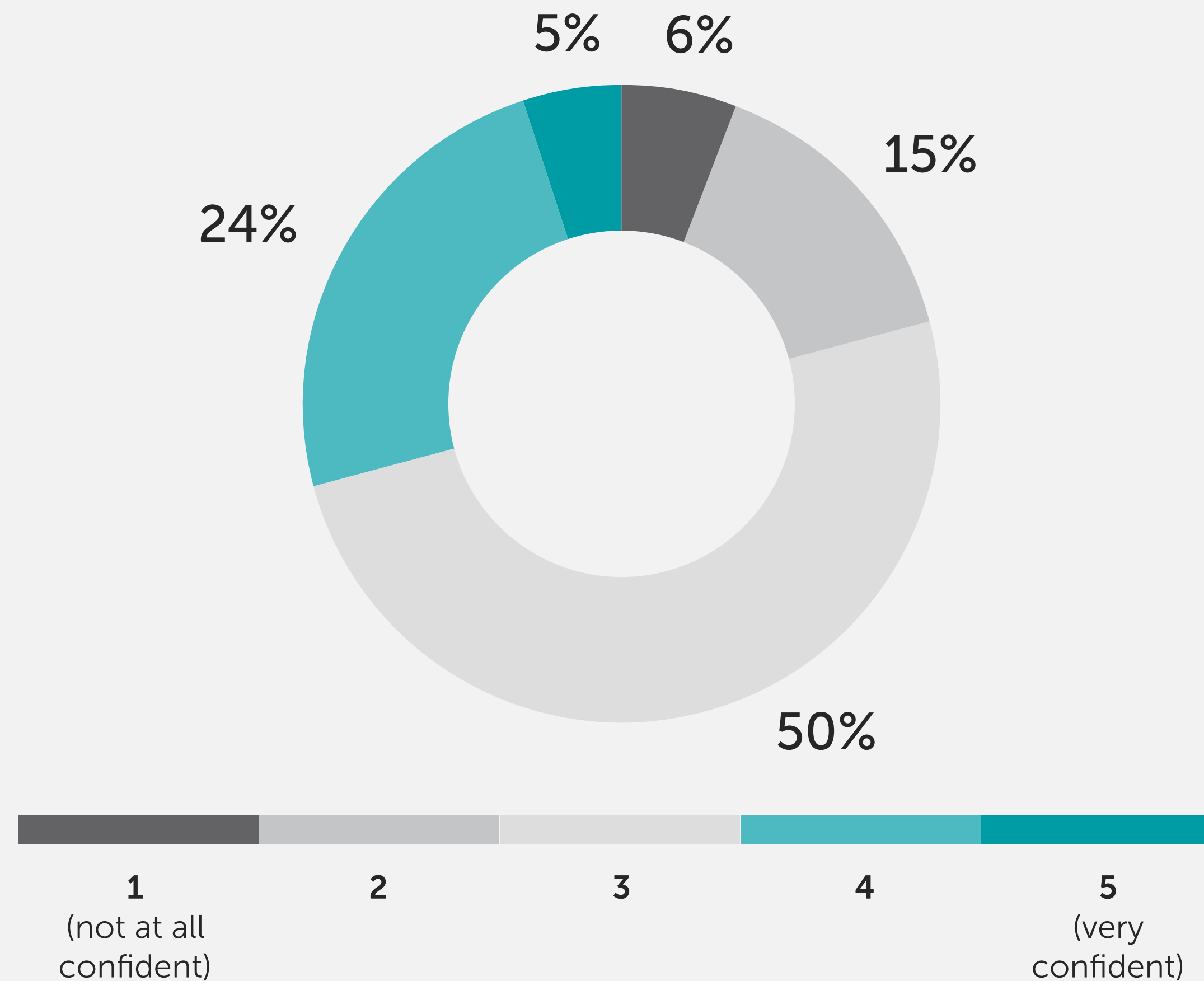
The language in his announcement matters. Our research finds that 9% of respondents cite '*Leadership understanding of technology's strategic potential*' as an area for development, and Jones' speech suggests that government agrees on the basics: technology adoption does not start with the technology; it starts with the leaders who decide to use it.

Moreover, respondents also named '*Change management and transformation skills*' (cited by 9%) '*Governance frameworks for data sharing*' (8%), and '*Advanced analytics and AI capabilities*' (6%) as barriers to adoption, confirming that for most organisations the priority is not on AI-specific tools but getting the basics right first.

How confident is the public sector in its technology?

Confidence in using technology to achieve financial sustainability varies. One in five (21%) public sector organisations sit in the lower confident segment, half are in the middle, and 29% have a good level of confidence in their data quality and governance when it comes to using technology to make better financial decisions.

How confident is your organisation in the quality and governance of its data for making financial decisions?

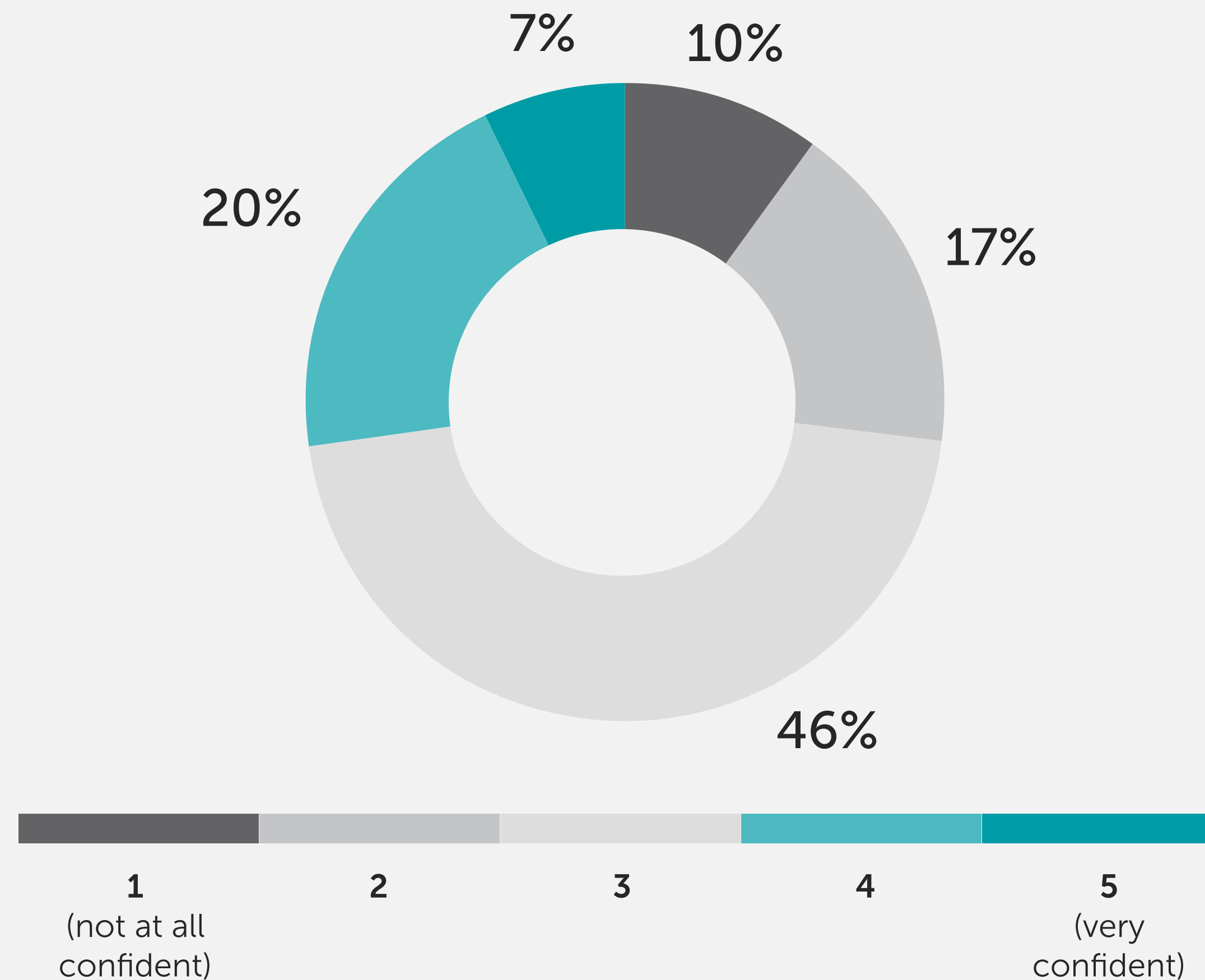


How confident is the public sector in its technology?

However, low confidence is slightly more prevalent when it comes to using digital solutions to maintain or improve service quality whilst reducing costs, with 27% of public sector organisations feeling low levels or confidence in this context. This suggests that, while digital tools to support financial decisions are slightly better established, overcoming the barriers that stand in the way of wider AI adoption is going to be problematic for over a quarter of public sector organisations.

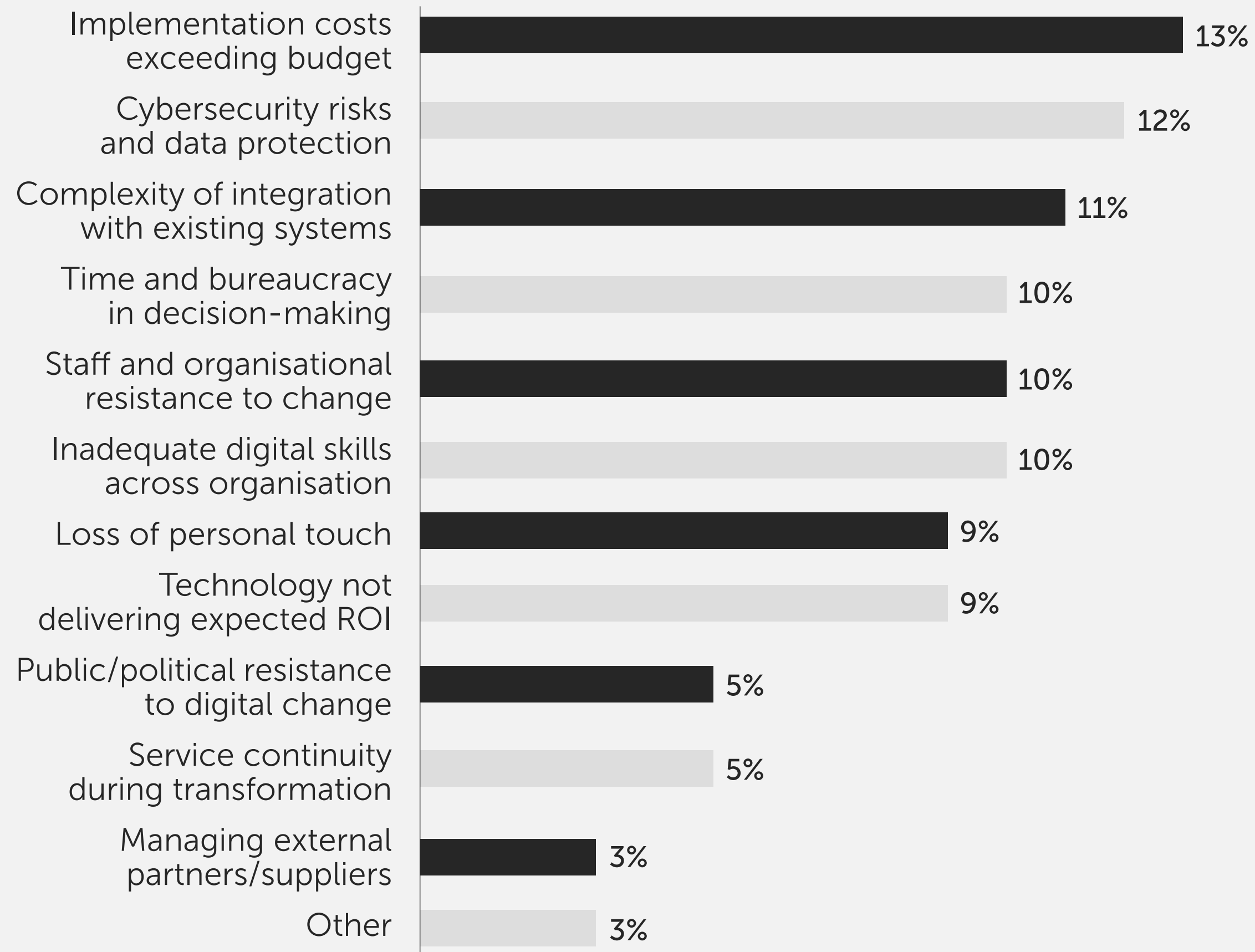
On a more positive note, this research also shows that there are another 27% of public sector organisations that are already feeling more confident and, therefore, in a good position to move forward with AI opportunities that can help build financial resilience.

How confident are you that digital solutions can help your organisation maintain or improve service quality whilst reducing costs?



Barriers to scaling technology

What concerns you most when thinking about scaling digital solutions to strengthen financial resilience within your organisation?



average across the public sector

One of the top concerns here – around time and bureaucracy in decision-making – takes on another dimension when looking at the scale of workforce change underway. Early this year, the Institute for Government estimated that departments may need to cut between 29,000 and 40,000 jobs to meet their Spending Review 2025 commitments to reduce admin budgets by 16%. But voluntary exit schemes alone will not be enough. The think tank found that 8,583 exits had been targeted by departments over the next two years, which is less than a third of the lower estimate needed. In this context, the IfG described the government’s long-awaited Strategic Workforce Plan as “all the more crucial”.

This landscape adds to the challenges facing organisations trying to build AI

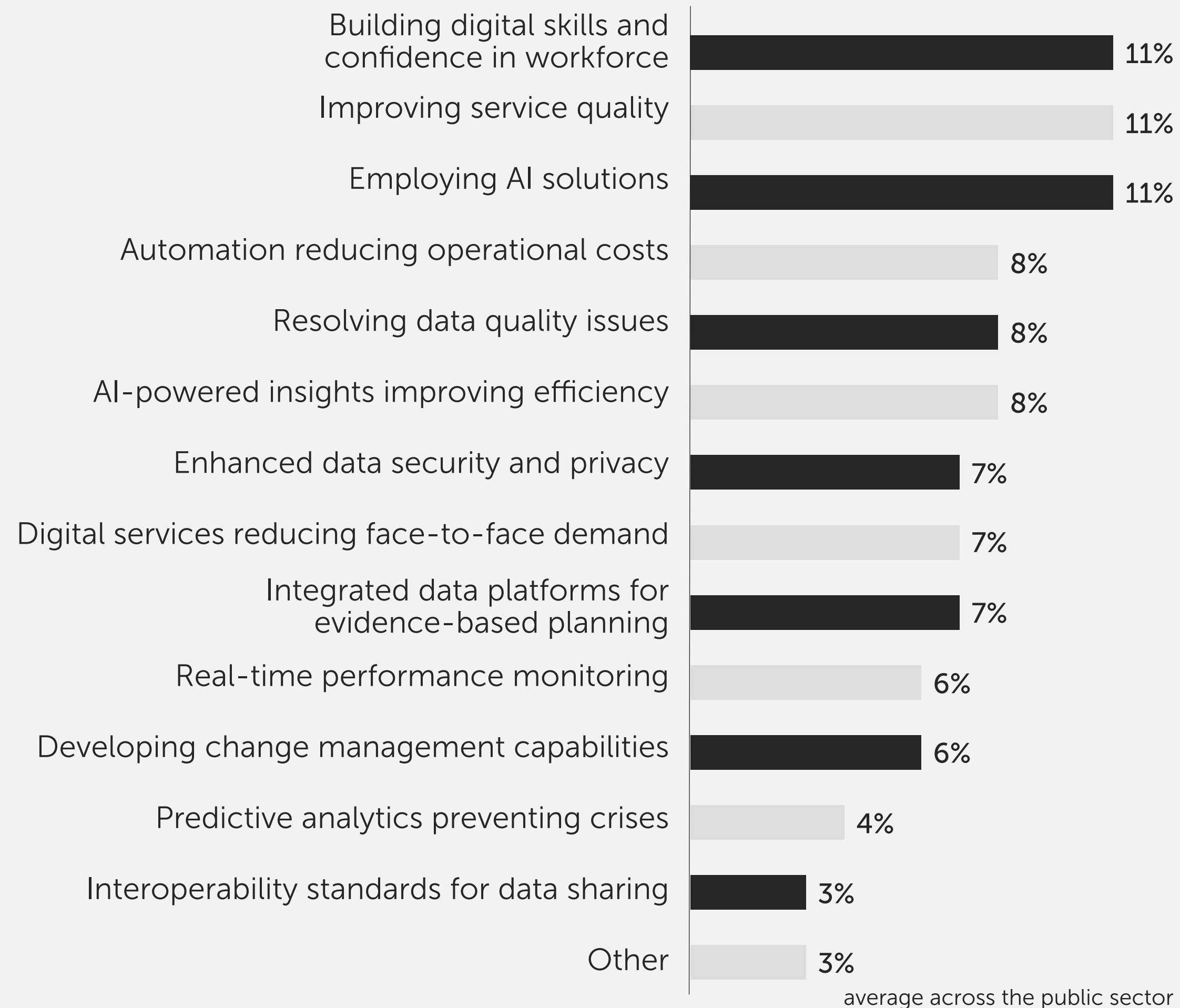
capability: the workforce is shrinking at a time it needs to grow in new directions. Staff who might otherwise be retrained or redeployed into digital and data roles are leaving through exit schemes. Moreover, the people who stay are tasked with absorbing more work, making it harder to find the time, or energy, for the learning and experimentation that AI adoption requires.

There’s another finding around concerns that is worth particular attention. Overall, 9% of respondents cite ‘*Loss of personal touch*’ as a concern, a figure that rises to 14% in education. This is the highest concern for any sector-specific response on this question, and it suggests that in education, there’s a genuine fear that vital interaction gets lost when technology replaces the human.

Looking ahead – technology priorities

Despite the readiness gaps and concerns, survey findings show a clear appetite for the opportunities that technology can offer the public sector to support financial resilience.

In the next five years, what will be your organisations's greatest technology priorities to strengthen financial resilience?



The priority that respondents put on skills and service quality, rather than on cost reduction alone, is significant. It suggests that public sector staff see technology not only as a savings tool but also as a route to doing their jobs better. *'AI-powered insights improving efficiency'* (8%) and *'Digital services reducing face-to-face demand'* (7%) further reinforce the ambition to save money and to improve service delivery.

The question remains as to whether the foundations can be built quickly enough to realise these ambitions.

Public sector staff see technology not only as a savings tool but also as a route to doing their jobs better

In a nutshell:

Funding leads every list of what is needed to push forward. Skills, data quality and infrastructure follow close behind

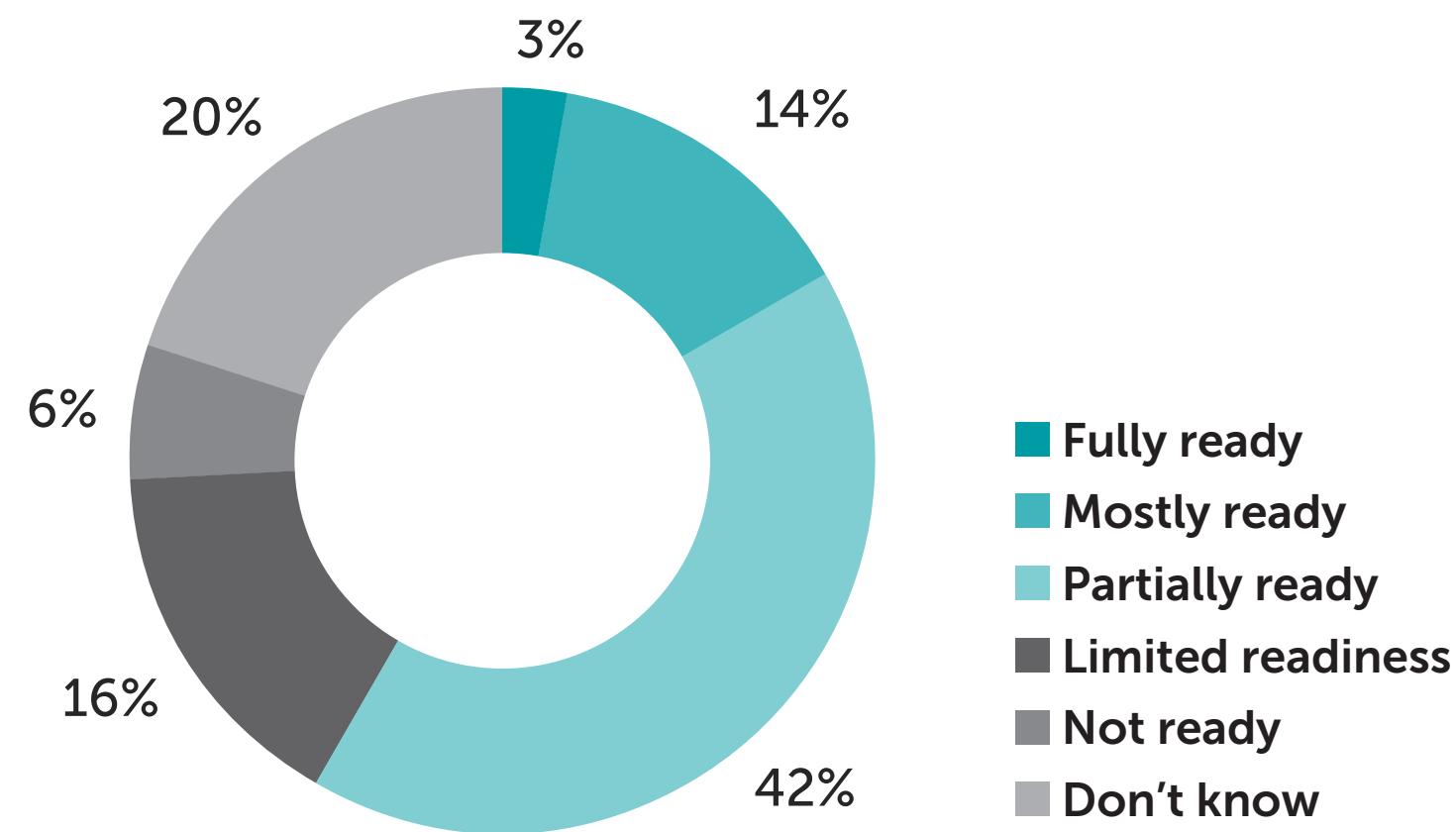
The findings outlined in this section show a public sector that believes in what AI and digital transformation could achieve, but lacks the skills and resources to realise its potential.

The gap is not between ambition and technology but between ambition and foundations. Funding leads every list of what is needed to push forward. Skills, data quality and infrastructure follow close behind. These are the same problems that have run through every section of this report: too little money, too few people with the right skills, and systems that were not built to work together.

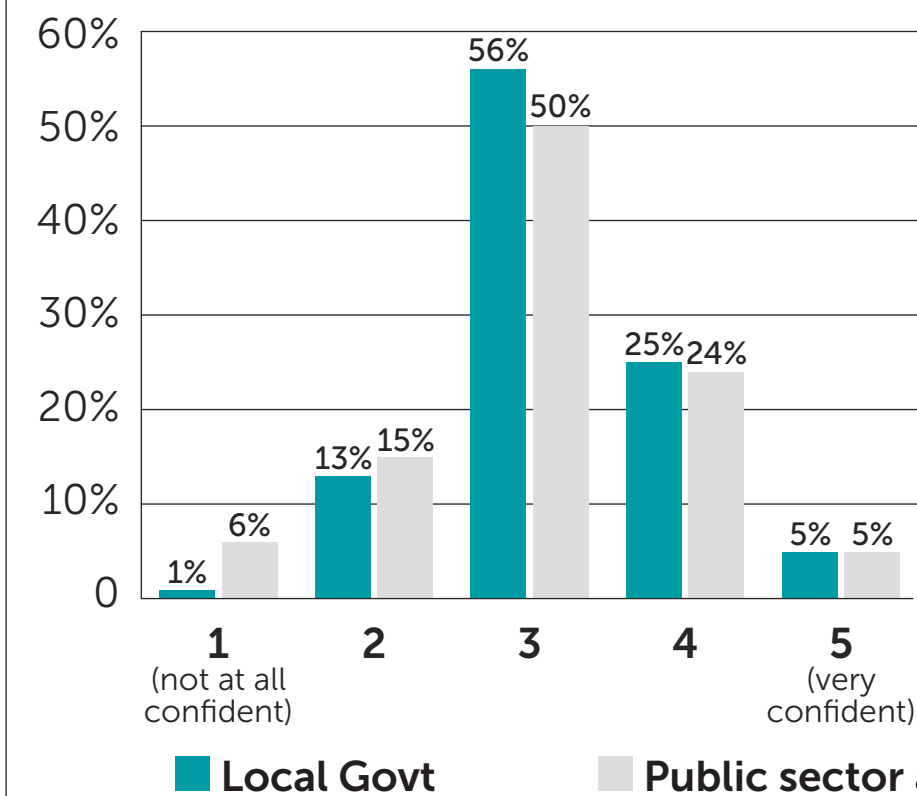
Sector breakdown

Local government

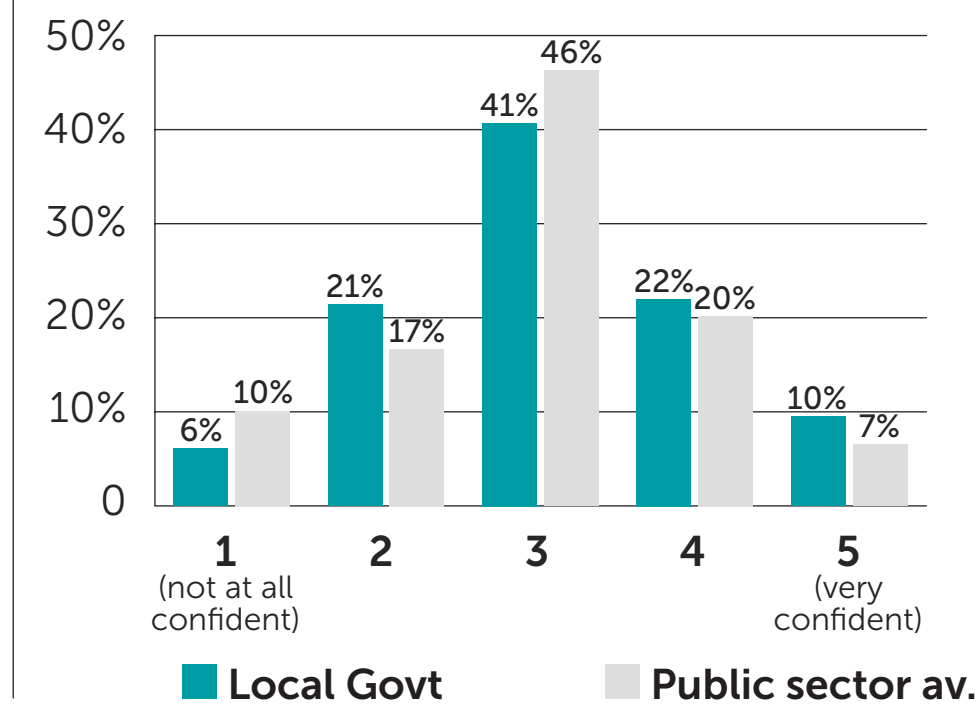
How ready is local government to scale digital solutions without reducing service quality?



Local government confidence in data quality and governance versus public sector av.

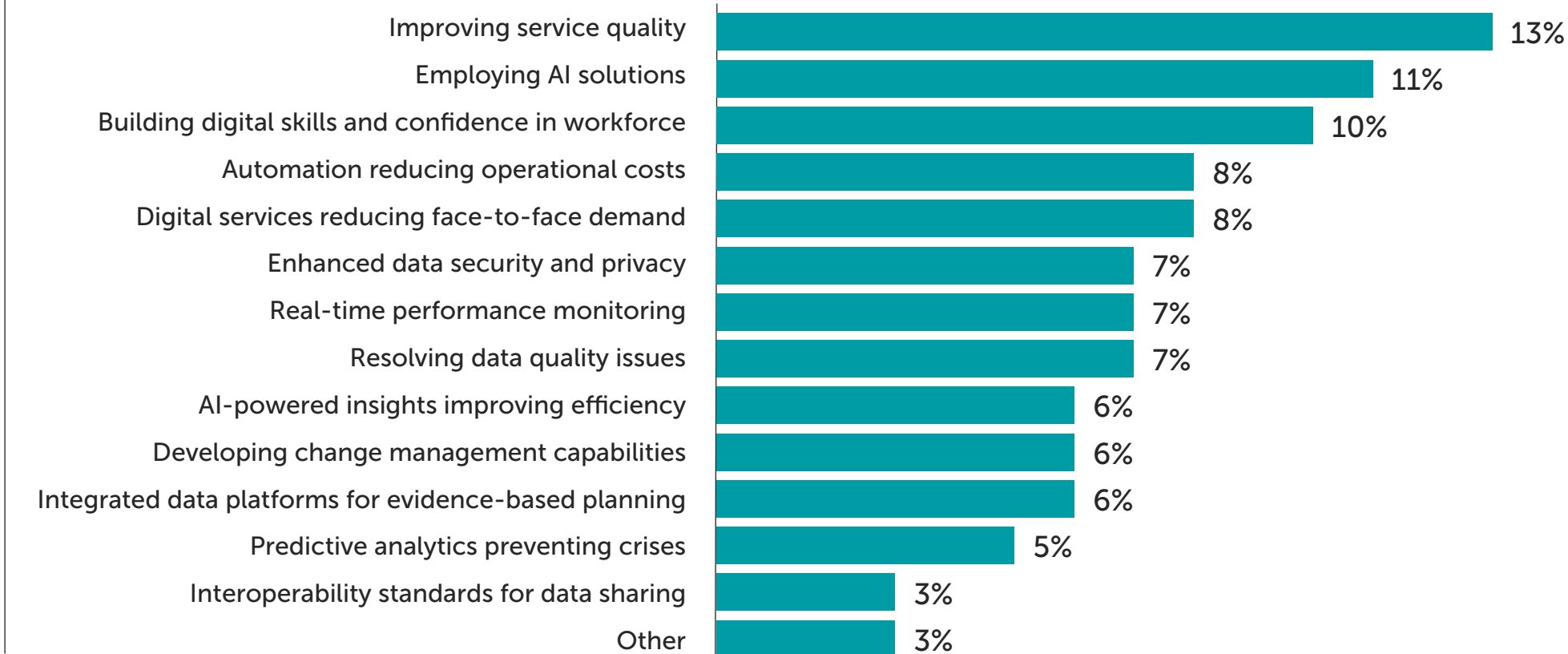


Local government confidence that digital solutions can help maintain or improve service quality whilst reducing cost versus public sector av.



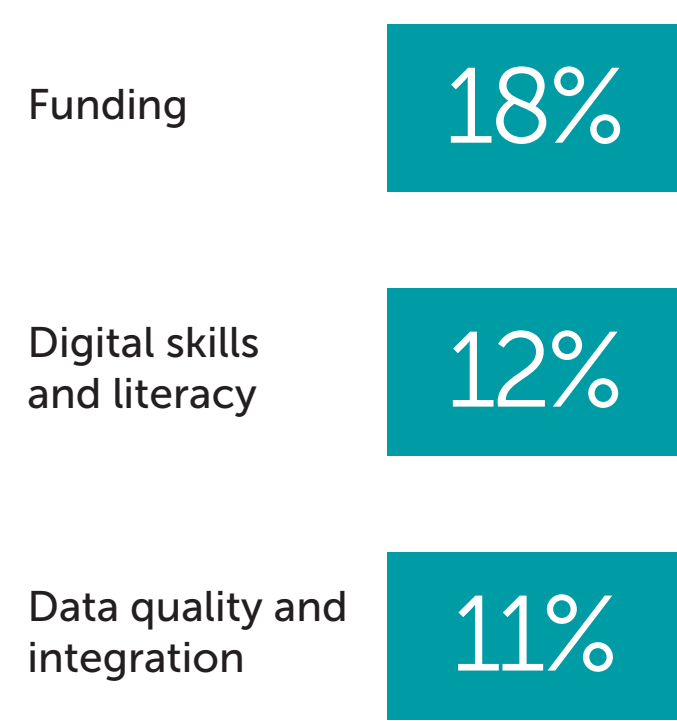
Local government shows clear digital ambition but limited maturity, with most organisations only partially ready for transformation. Midrange confidence levels suggest familiarity with digital operations but uncertainty about scaling change across complex services. Priorities emphasise service quality and AI adoption, indicating a shift towards data-driven service models. These results suggest that councils see AI as a route to maintaining service levels despite budget pressures, and not just as a cost saver.

In the next five years, what are local government's greatest technology priorities to strengthen financial resilience?

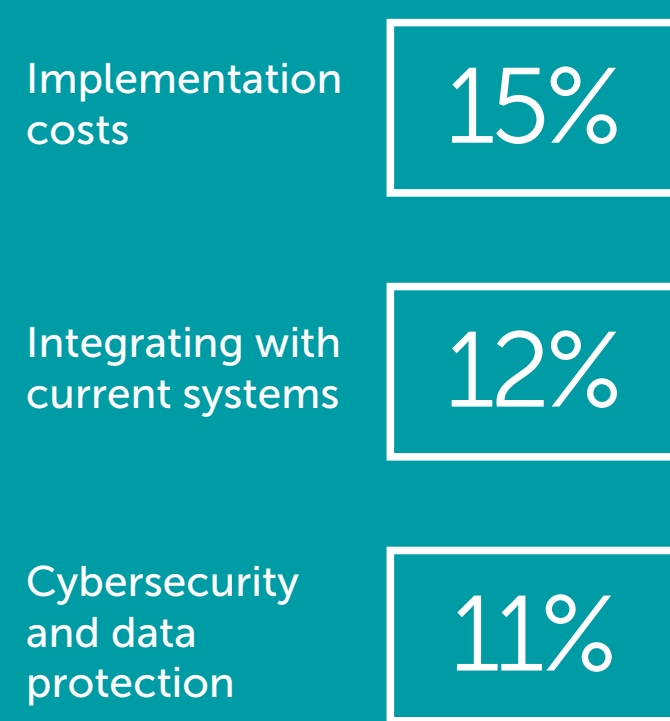


However, lower focus on interoperability, predictive analytics and integrated data platforms highlights foundational weaknesses that could slow long-term progress. The sector appears constrained by capability gaps – particularly digital skills – creating a tension between strategic ambition and practical readiness. Overall, improvement depends on strengthening data infrastructure, skills and cross-organisational coherence.

Three largest gaps between digital goals and current capability



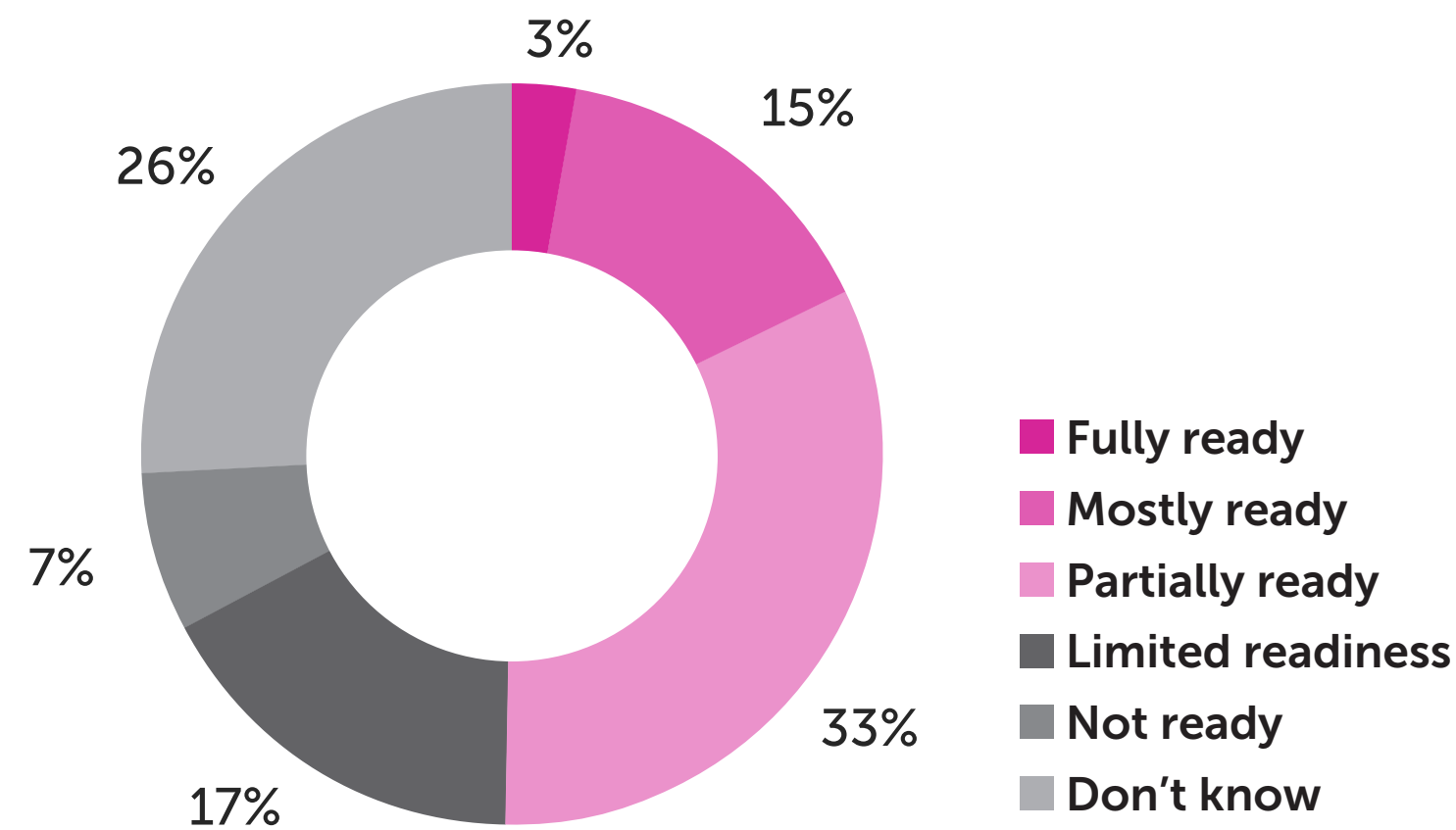
Top three concerns about scaling digital solutions



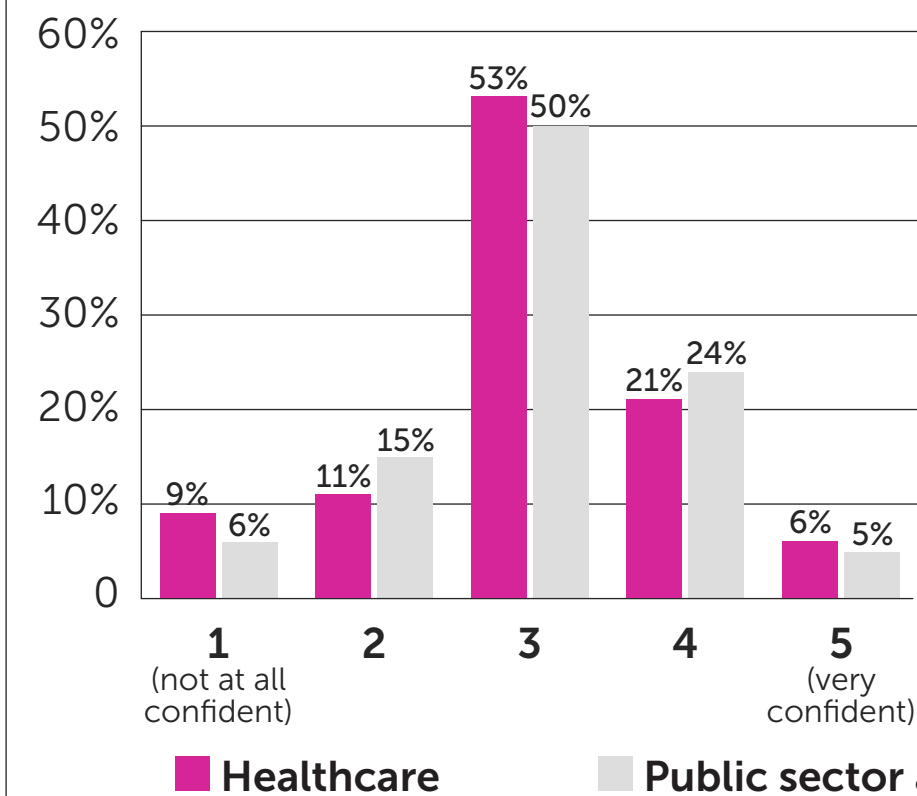
Sector breakdown

Healthcare

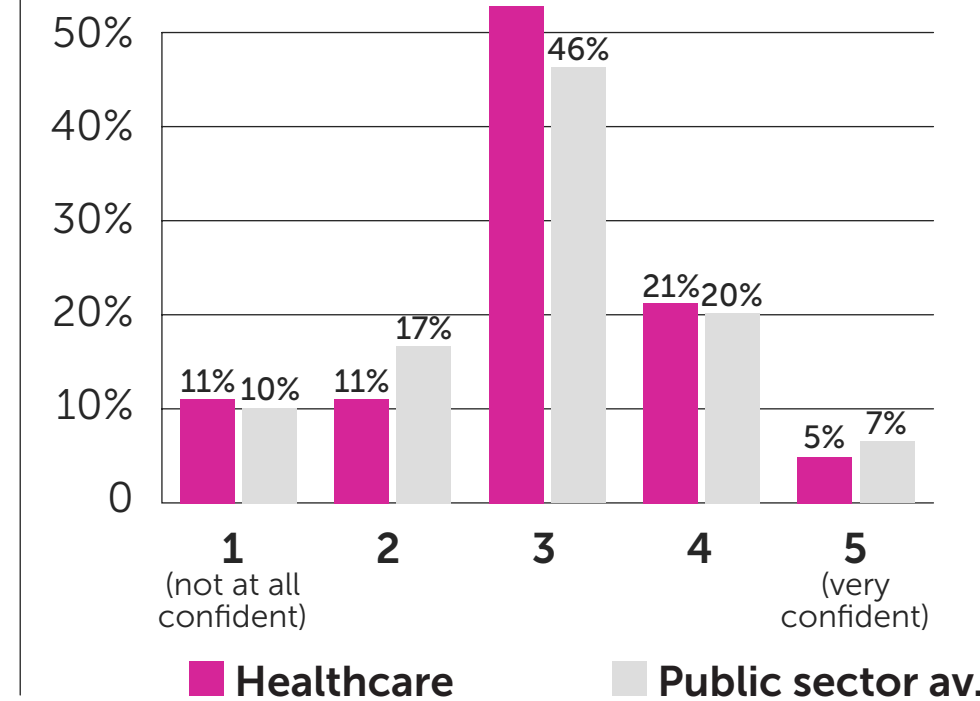
How ready is healthcare to scale digital solutions without reducing service quality?



Healthcare confidence in data quality and governance versus public sector av.



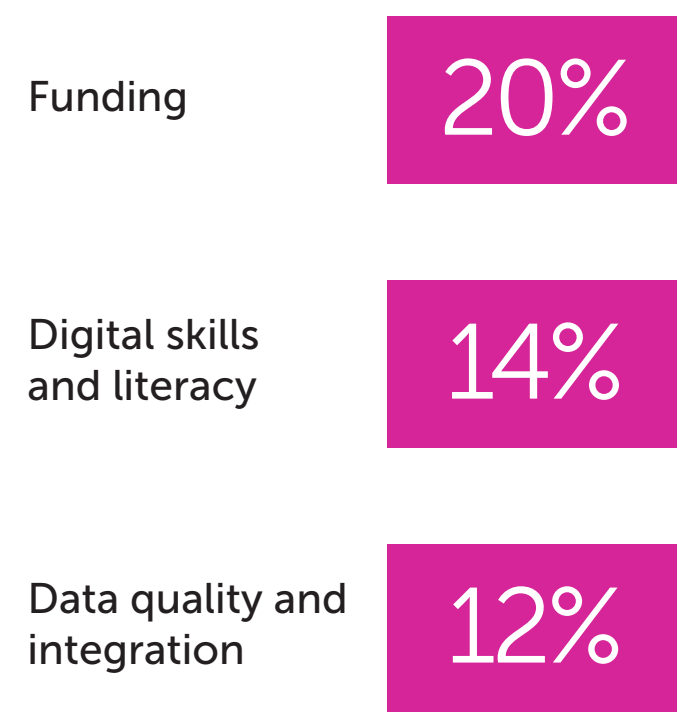
Healthcare confidence that digital solutions can help maintain or improve service quality whilst reducing cost versus public sector av.



Healthcare displays greater variation in digital readiness, with many organisations unsure of their baseline capabilities. Confidence levels sit mostly in the middle but with more respondents at the lower end compared to local government, reflecting the complexity of clinical environments and risk averse cultures. Priorities cluster around service improvement, workforce digital confidence and AI-enabled efficiencies, showing alignment with wider public sector trends.

However, lower emphasis on interoperability and predictive analytics suggests systemic integration challenges remain significant. The data paints a sector aware of digital potential but constrained by fragmented systems, cultural resistance and capacity pressures. Sustainable progress requires coordinated capability building and investment. These results show that healthcare respondents want AI to improve care, but the readiness to deliver that ambition remains fragile.

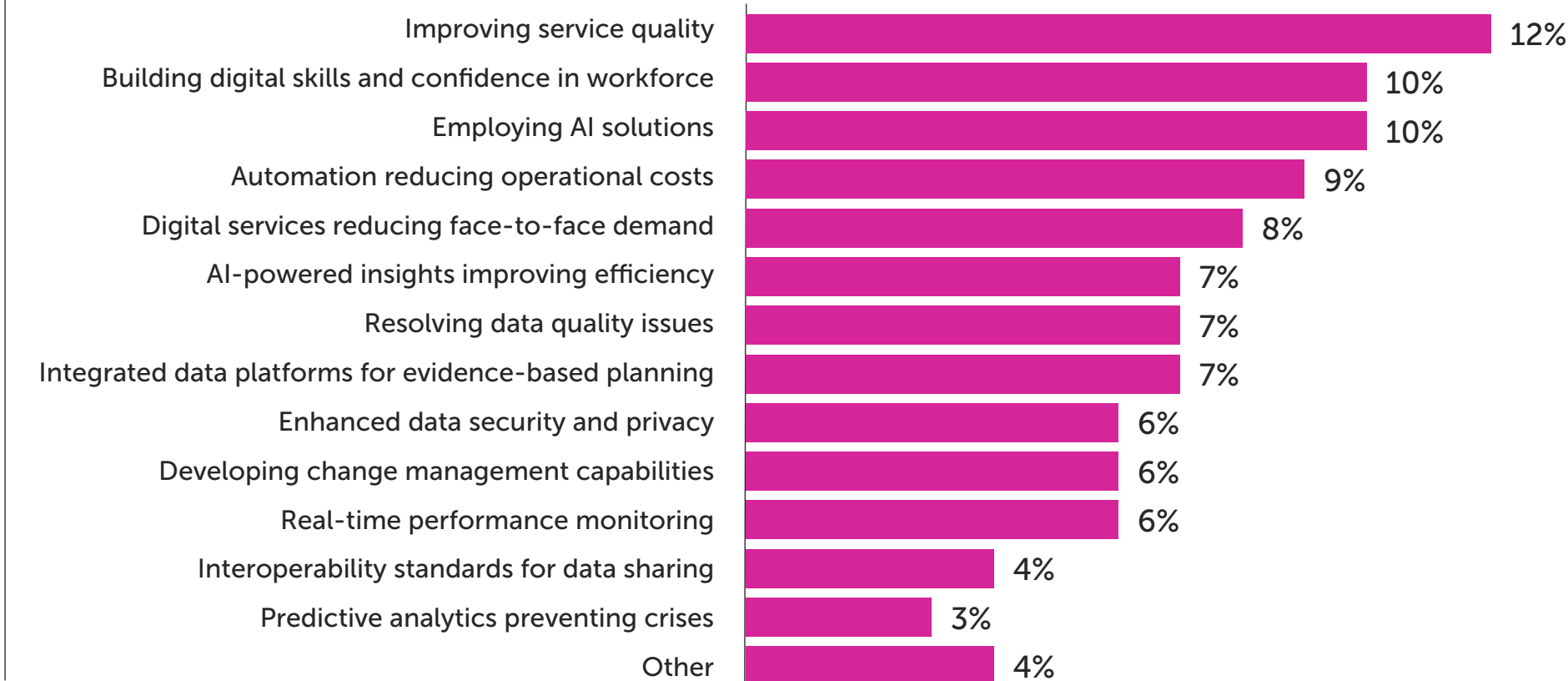
Three largest gaps between digital goals and current capability



Top three concerns about scaling digital solutions



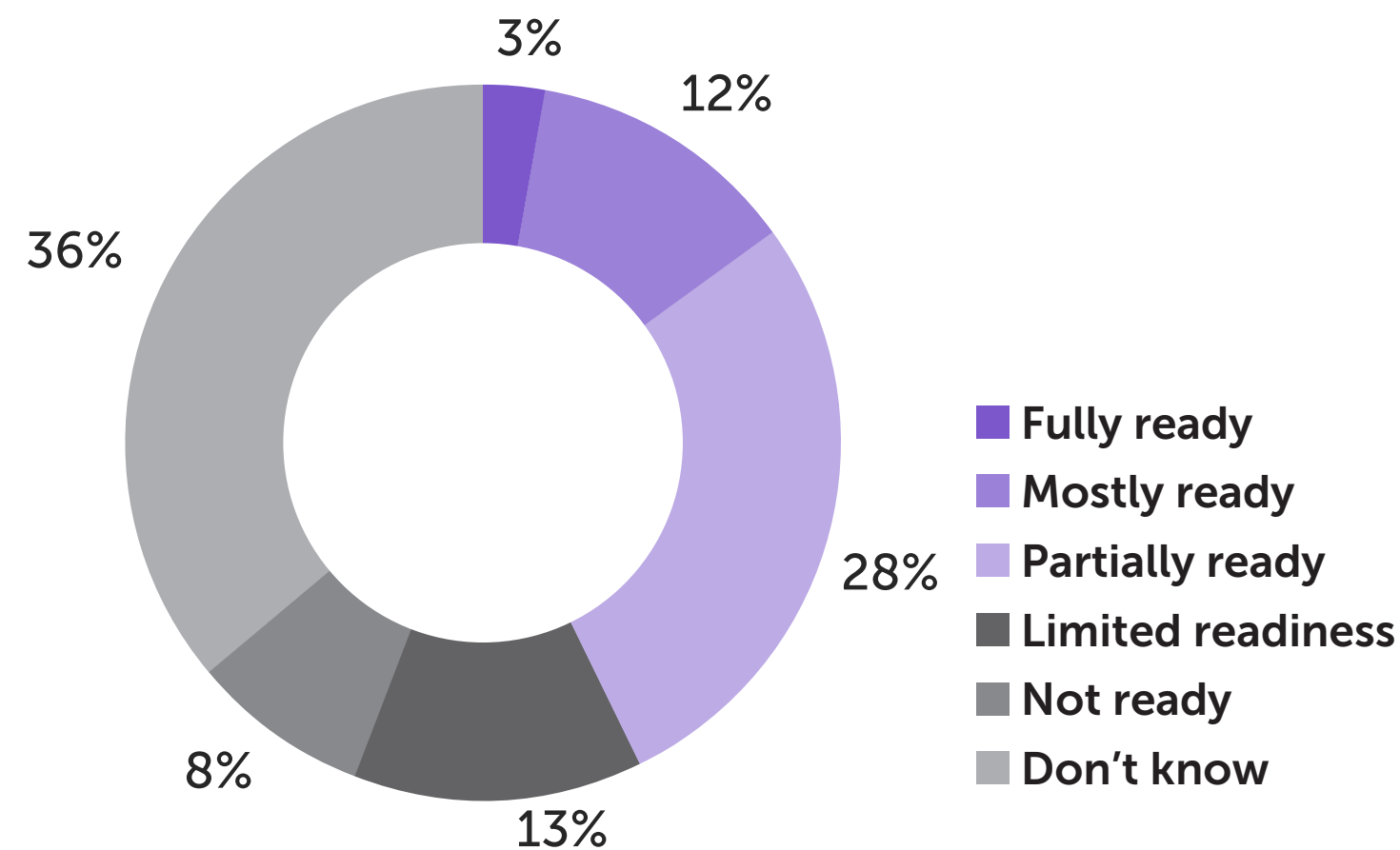
In the next five years, what are healthcare's greatest technology priorities to strengthen financial resilience?



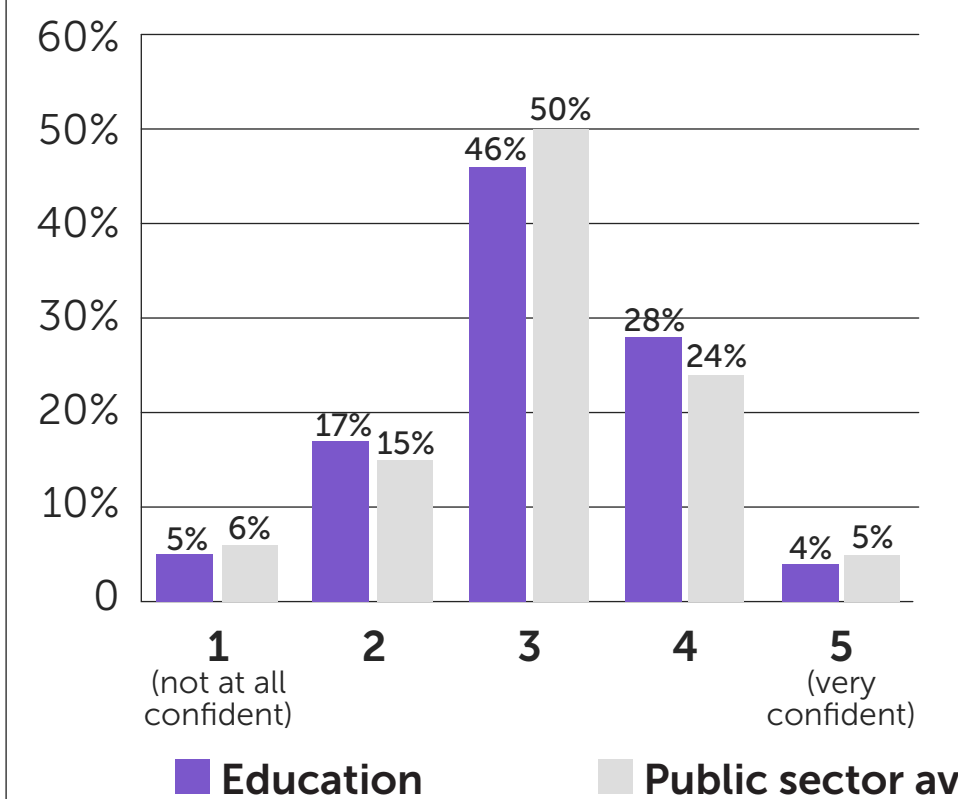
Sector breakdown

Education

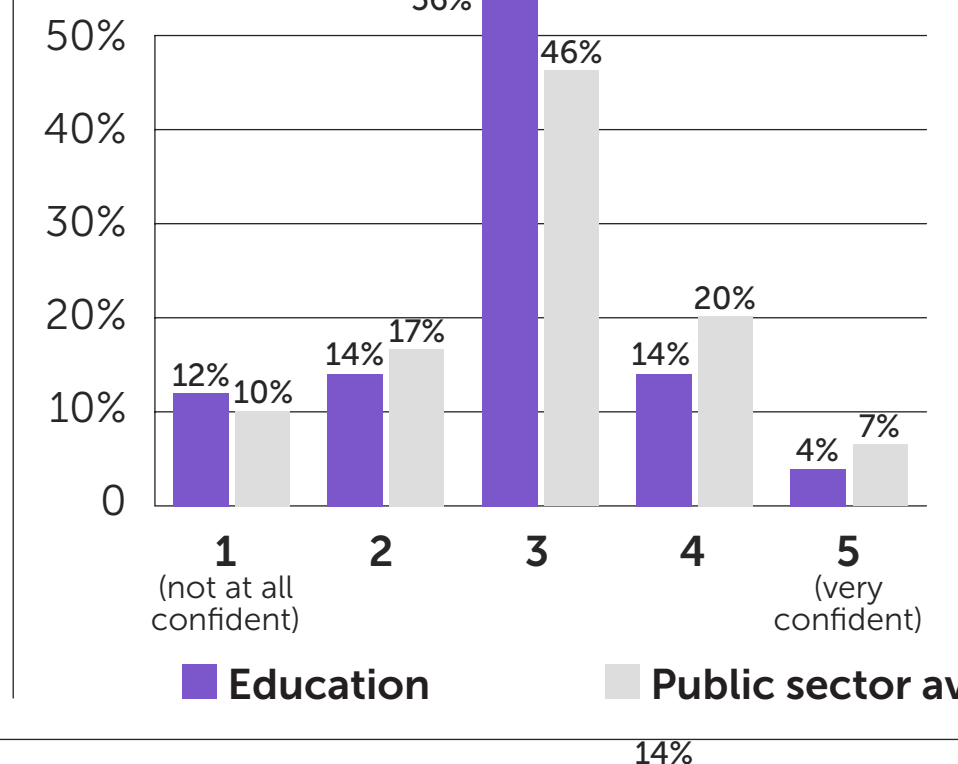
How ready is education to scale digital solutions without reducing service quality?



Education confidence in data quality and governance versus public sector av.



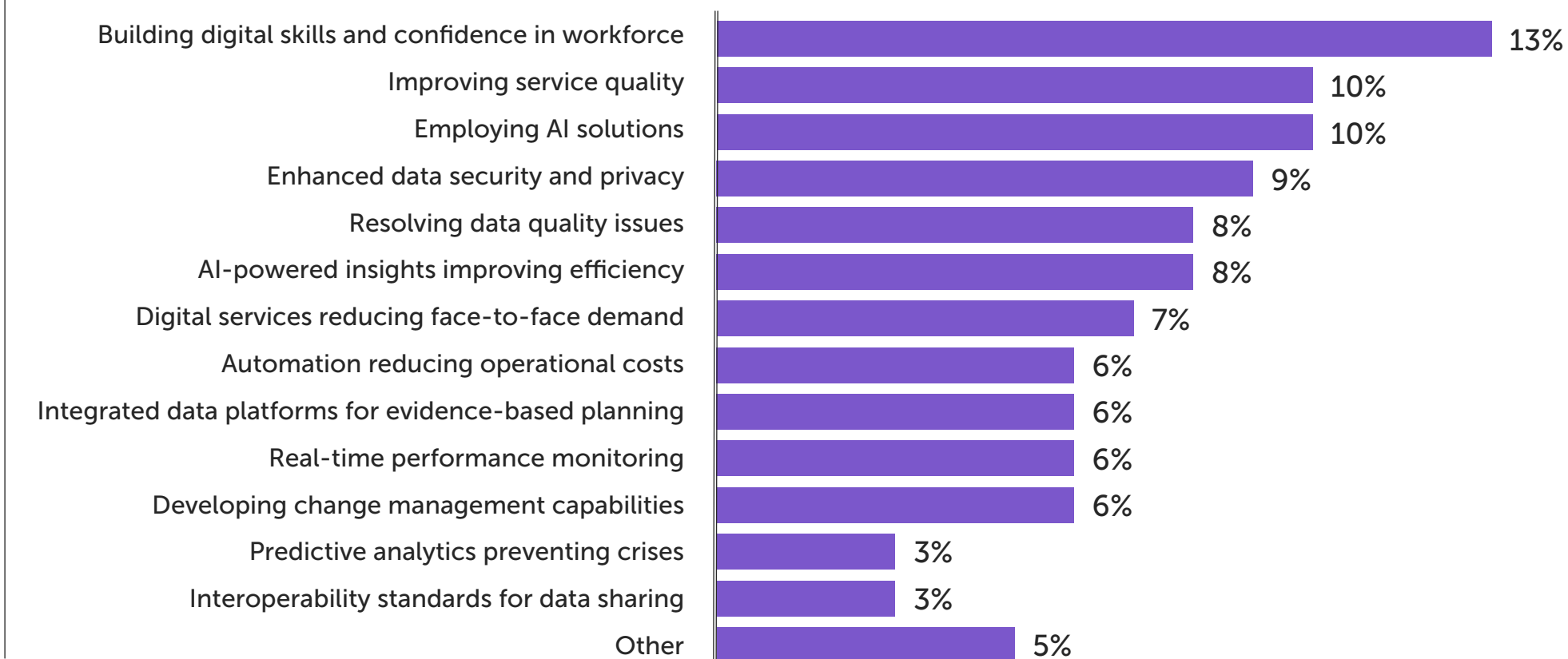
Education confidence that digital solutions can help maintain or improve service quality whilst reducing cost versus public sector av.



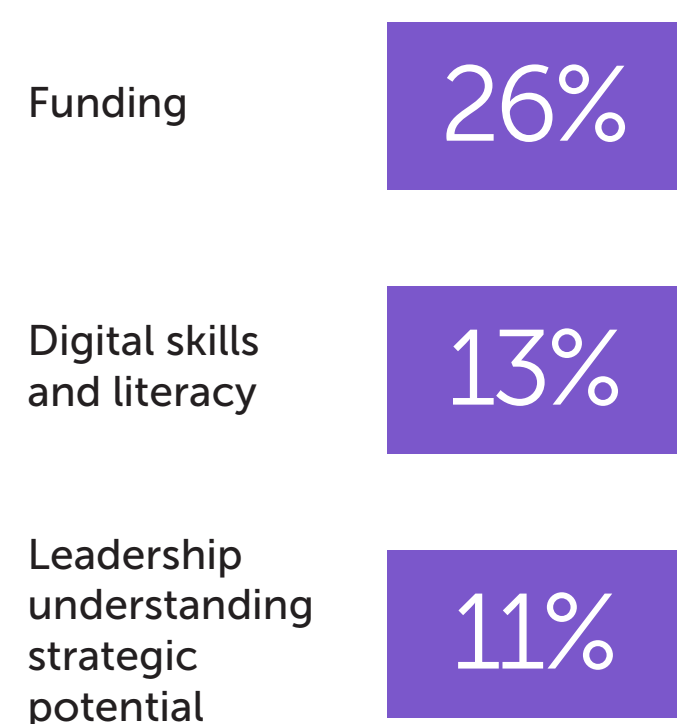
The education sector's digital posture is marked by inconsistency, with most institutions only partially ready and confidence levels similarly midrange. This indicates familiarity with everyday digital tools, but hesitation around deeper transformation involving data, automation and AI. Priorities appear more dispersed than in other sectors, reflecting the diversity of educational institutions and varying strategic pressures.

Lower focus on advanced capabilities such as predictive analytics, data integration or real-time monitoring suggests these remain aspirational rather than embedded. Overall, the sector recognises the value of digital change, but often lacks the funding, skills and confidence to even take the first steps towards digital transformation.

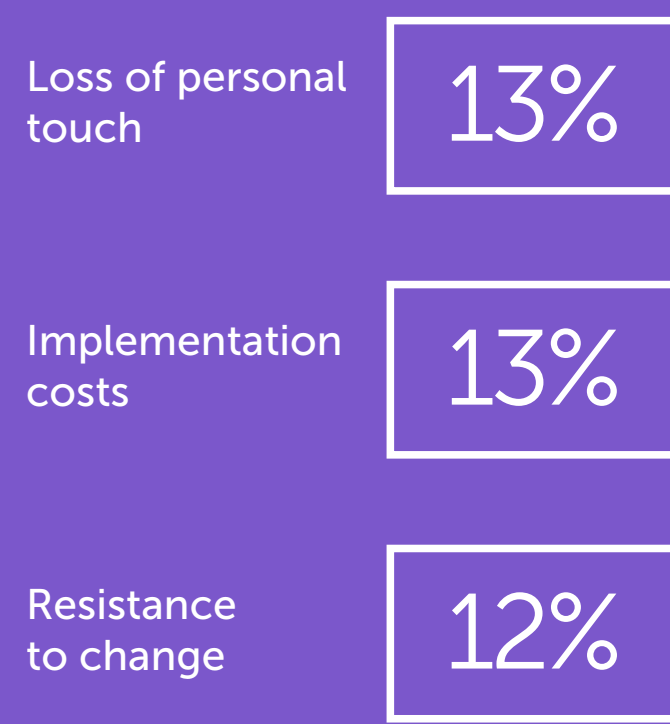
In the next five years, what are education's greatest technology priorities to strengthen financial resilience?



Three largest gaps between digital goals and current capability



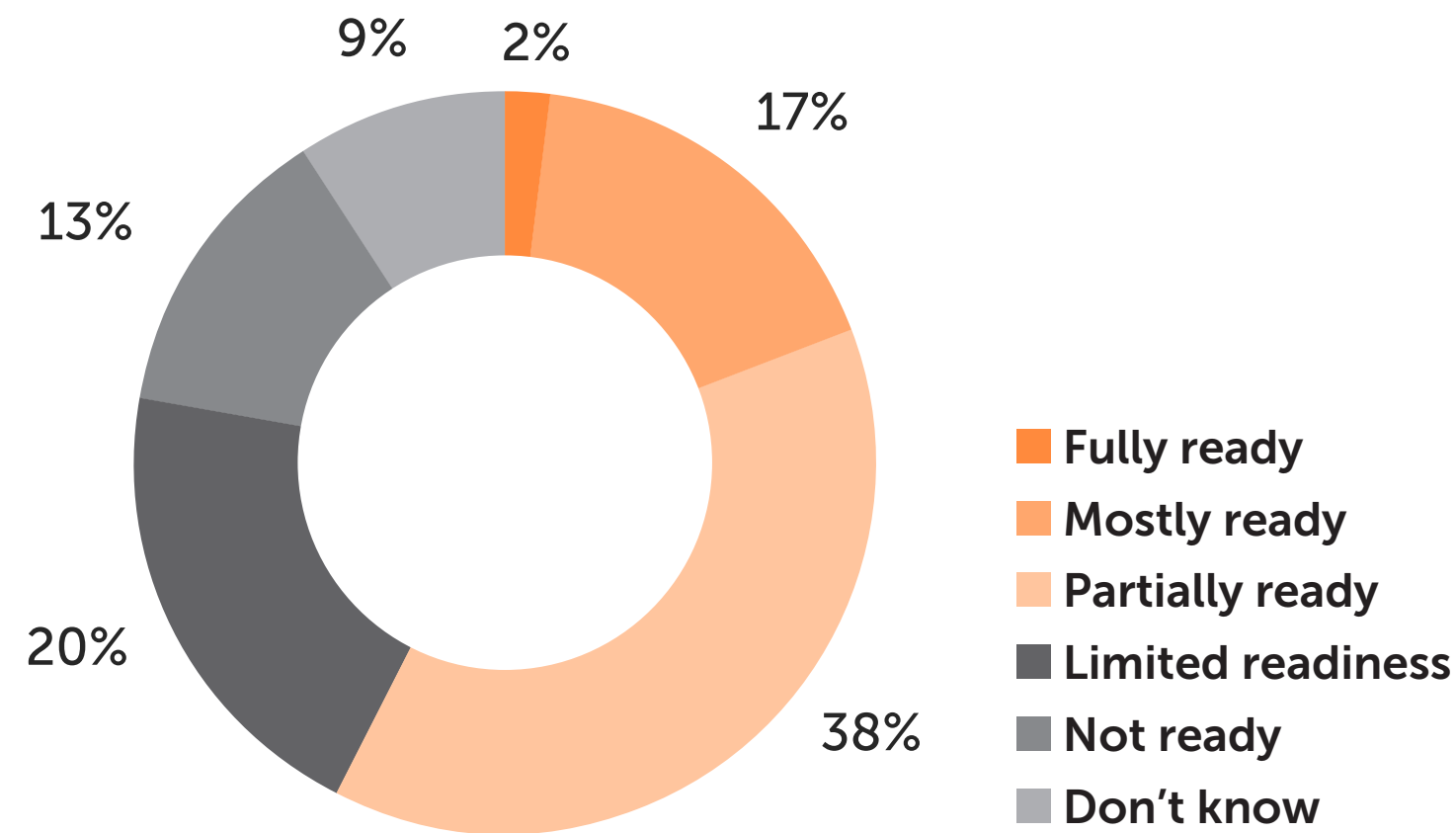
Top three concerns about scaling digital solutions



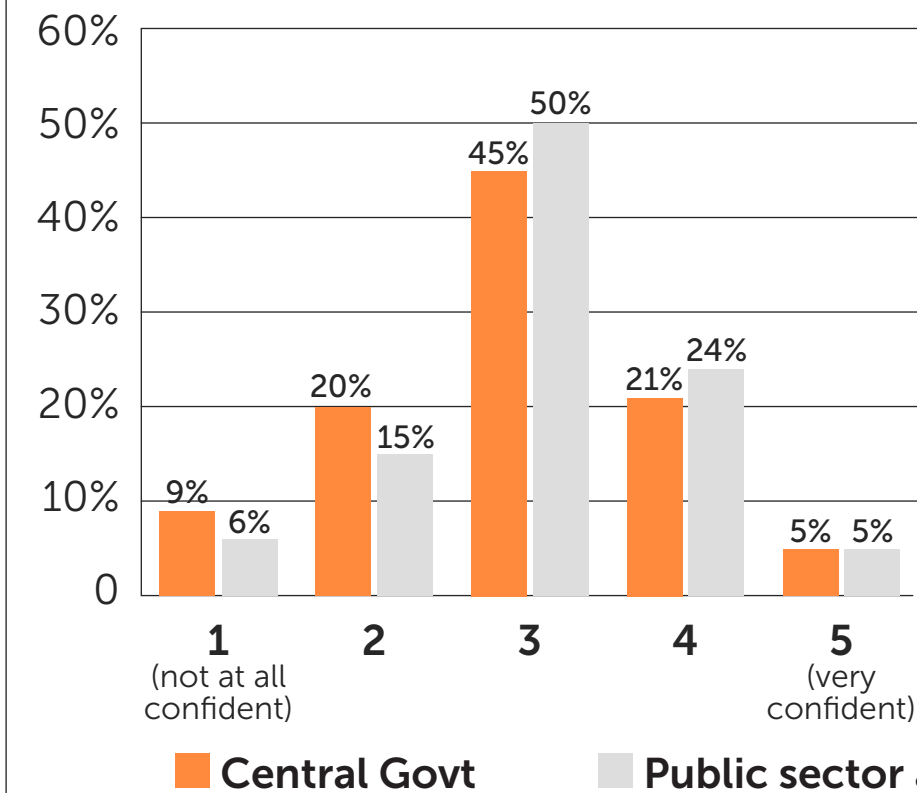
Sector breakdown

Central government

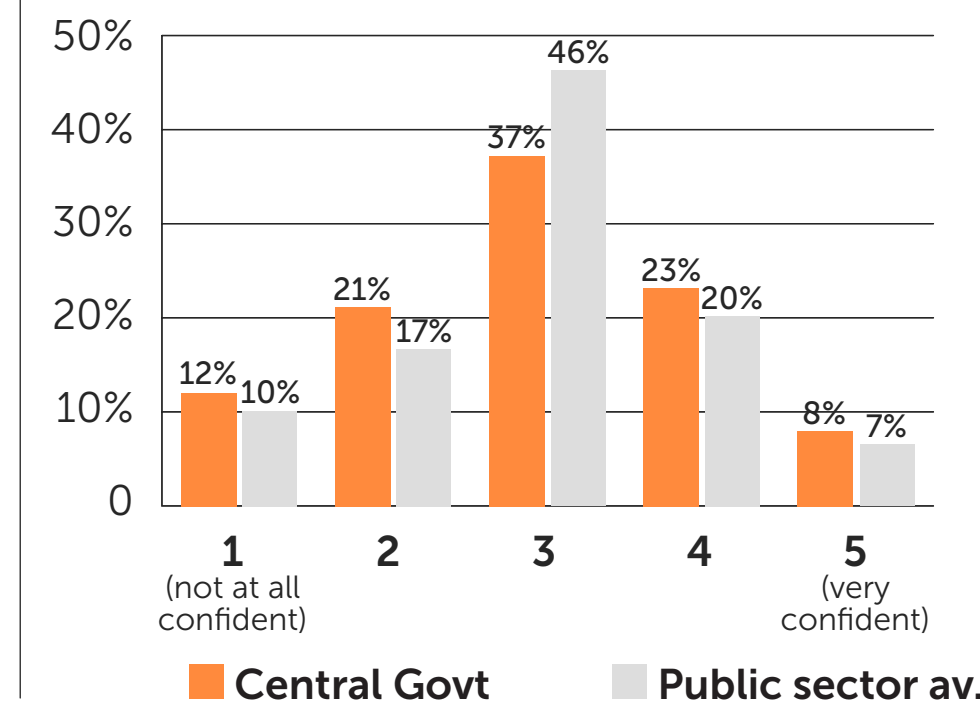
How ready is central government to scale digital solutions without reducing service quality?



Central government confidence in data quality and governance versus public sector av.

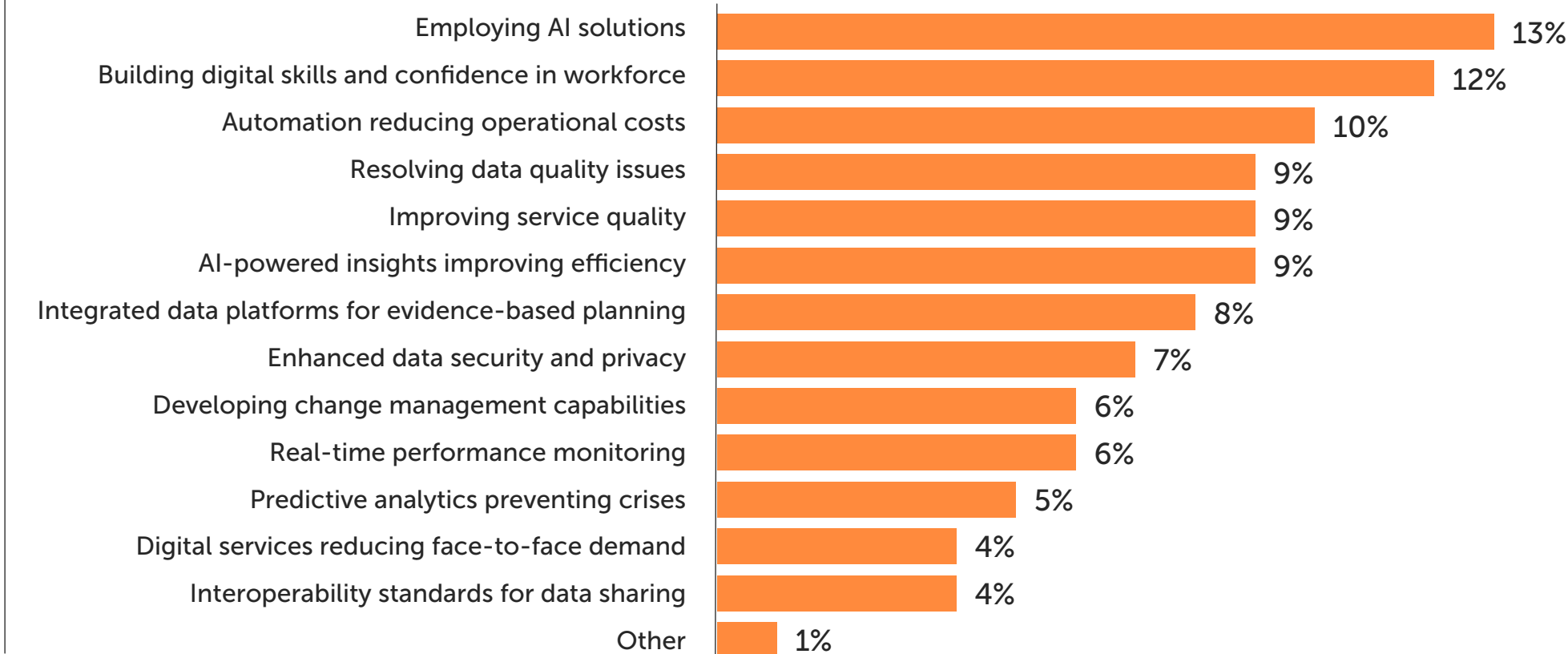


Central government confidence that digital solutions can help maintain or improve service quality whilst reducing cost versus public sector av.



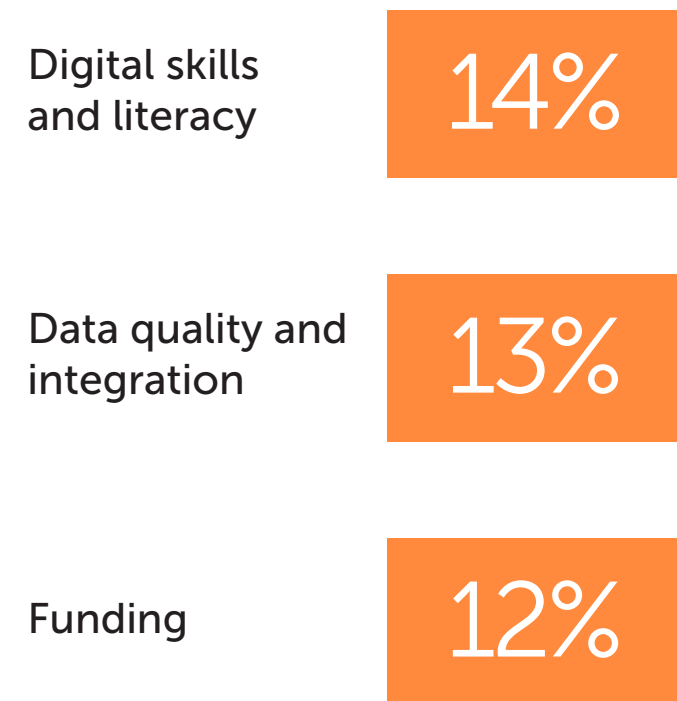
Central government demonstrates relatively higher digital maturity, with many respondents reporting partial or strong readiness. Confidence also concentrates in midranges, reflecting the complexity and scale of national transformation programmes. Priorities mirror those across the public sector (service improvement, AI adoption and staff digital capability) but central government places comparatively greater emphasis on interoperability, integrated data platforms and predictive analytics. This indicates stronger awareness of systemwide transformation requirements.

In the next five years, what central government's greatest technology priorities to strengthen financial resilience?

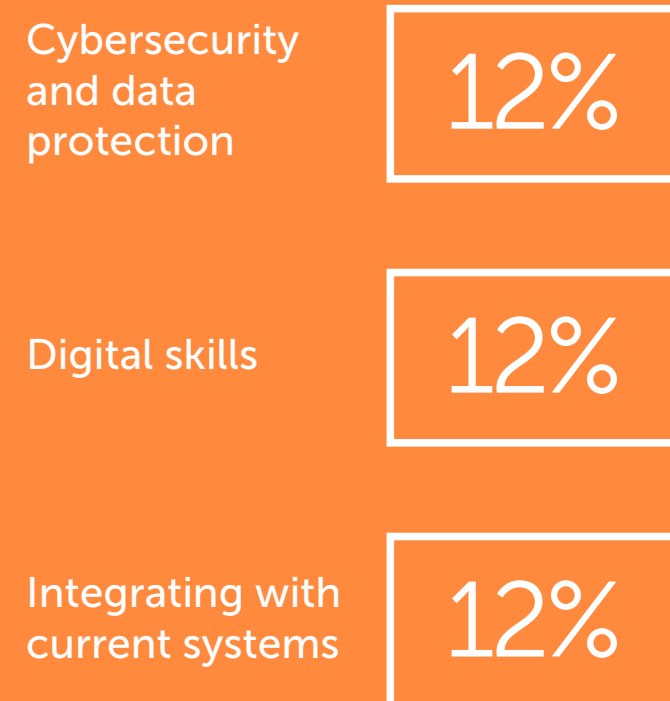


Nonetheless, lower prioritisation of real-time operational monitoring suggests ongoing difficulty translating strategic ambition into everyday delivery. Overall, progress depends on addressing legacy constraints and coordinating digital change across departments. The sector has been through challenging digital investment cycles and continues to be sceptical about whether the next one will be different.

Three largest gaps between digital goals and current capability



Top three concerns about scaling digital solutions



Conclusion and recommendations



Conclusion

Our survey-led research set out to understand how public sector organisations are holding up under financial pressure, and respondents confirmed what many working in public services already know: too many organisations are managing the immediate crisis rather than building for the long term.

But surviving the moment and building genuine resilience are not the same thing. Financial resilience is not an end in itself; it is the foundation on which everything else rests: the quality-of-care patients receive, the services communities depend upon, and the support citizens need when it matters most. Without it, those things suffer.

This research has uncovered a different, more fundamental issue. It is not about how public sector organisations can survive financial pressure, but how they can move beyond survival, and build the kind of strength that allows them to truly serve the people who rely on them.

While the answer from 607 respondents points to technology, there's a cycle that needs breaking before it can truly serve its purpose. Financial pressure forces organisations to cut the technology investments, training budgets and collaborative working that could help them manage that pressure. Three quarters of respondents describe their financial situation as substantial, severe or critical. Staff wellbeing is the first casualty in every sector. And the capabilities that could offer a way out (digital tools, data skills, cross-boundary collaboration) are being affected by the very crisis they are meant to address.

Public sector professionals want AI to improve service quality, build workforce skills and reduce operational costs. The ambition is well understood, but what is missing is the ground beneath it.

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Recommendations

These recommendations are drawn directly from what respondents told us, tested against what recent evidence shows is working, and grounded in the reality that budgets are not going to increase. They represent five crucial steps that are possible now, regardless of whether new funding follows.

1. Invest in foundations before investing in AI

Funding, digital skills, data quality and infrastructure are the top development needs in every sector. Organisations that cannot get clean data flowing between existing systems are not in a position to deploy machine learning on top of them. The priority should be foundational investment in data integration, staff upskilling and infrastructure modernisation rather than headline AI projects that risk repeating the pattern of tools deployed without the conditions for them to succeed.

The announcement of a new National School of Government and Public Service, with a specific focus on data and AI skills at senior levels, is a step in the right direction. But the need extends far beyond senior leaders. Digital skills and literacy throughout the workforce is the second-highest development priority in this survey at 13%, and in education it is the top desired benefit of technology investment. Research finds that the skills challenge is broad, so it must be met broadly.

2. Measure what matters

Investing in technology is only half the challenge. Knowing whether it is working is the other half. Right now, most organisations cannot answer that question with any confidence. A quarter of respondents (25%) say their digital tools have limited or poor effectiveness, yet the majority have no clear way to measure what return they are getting on that investment.

Organisations that want to move from cautious to confident need to set clear baselines before they deploy, define what success looks like in financial terms and build the habit of reporting back against it. Without that discipline, even good technology will struggle to make the case for itself.

3. Treat collaboration as infrastructure

This survey shows that financial pressure is isolating organisations from one another. Collaboration is being cut to manage the crisis, even though collaboration is part of the solution. Cross-boundary working, data sharing between organisations and joint approaches to shared problems are consistently identified as development needs, yet they are among the first things to go when budgets shrink.

That makes the current wave of local government reorganisation both a warning and an opportunity. Councils being asked to merge into new unitary authorities cannot do so without shared platforms, common data standards, compatible systems and governance frameworks that make it safe and easy to work collaboratively. Moreover, the infrastructure that reorganisation demands is the same infrastructure that financial resilience requires. Building it now is not a cost but an investment with returns that will be felt long after the restructuring is complete.

Collaboration also requires leaders to be role models for a collaborative working culture. As one senior official put it at the CSW Collaboration Conference in Leeds, if leadership adopts collaborative behaviours, there is a much greater chance of embedding those behaviours throughout the organisation.

4. Build digital strategy before deploying digital tools

The evidence from this research is that deploying tools without strategy produces tools that do not work. Organisations need a clear view of what they want technology to achieve, which processes it should transform and how its impact will be measured. The strategy does not have to be expensive but deliberate.

5. Listen to the workforce

Staff wellbeing and morale is the number one impact of financial pressure in every single sector. In education, a quarter of respondents identify it as the primary consequence. The concern about loss of personal touch, which scores the highest in education at 14%, tells us that the people closest to service delivery fear about what technology will change.

Organisations that engage staff in the design and implementation of digital tools, that invest in change management alongside technology and that treat workforce concerns as intelligence rather than resistance, will be the ones that make technology work. The 10% of respondents who cite staff and organisational resistance to change as a concern are describing a workforce that has not yet been brought along the digital journey.

In a nutshell:

The public sector is being asked to do more with less, and that has been the case for years. What is different now is the speed and scale of the expectation. Efficiency targets of 5% across departmental spending, admin budget reductions of 16% and the ambition to build an AI-powered state come at the same time as the workforce is contracting and financial resources are shrinking.

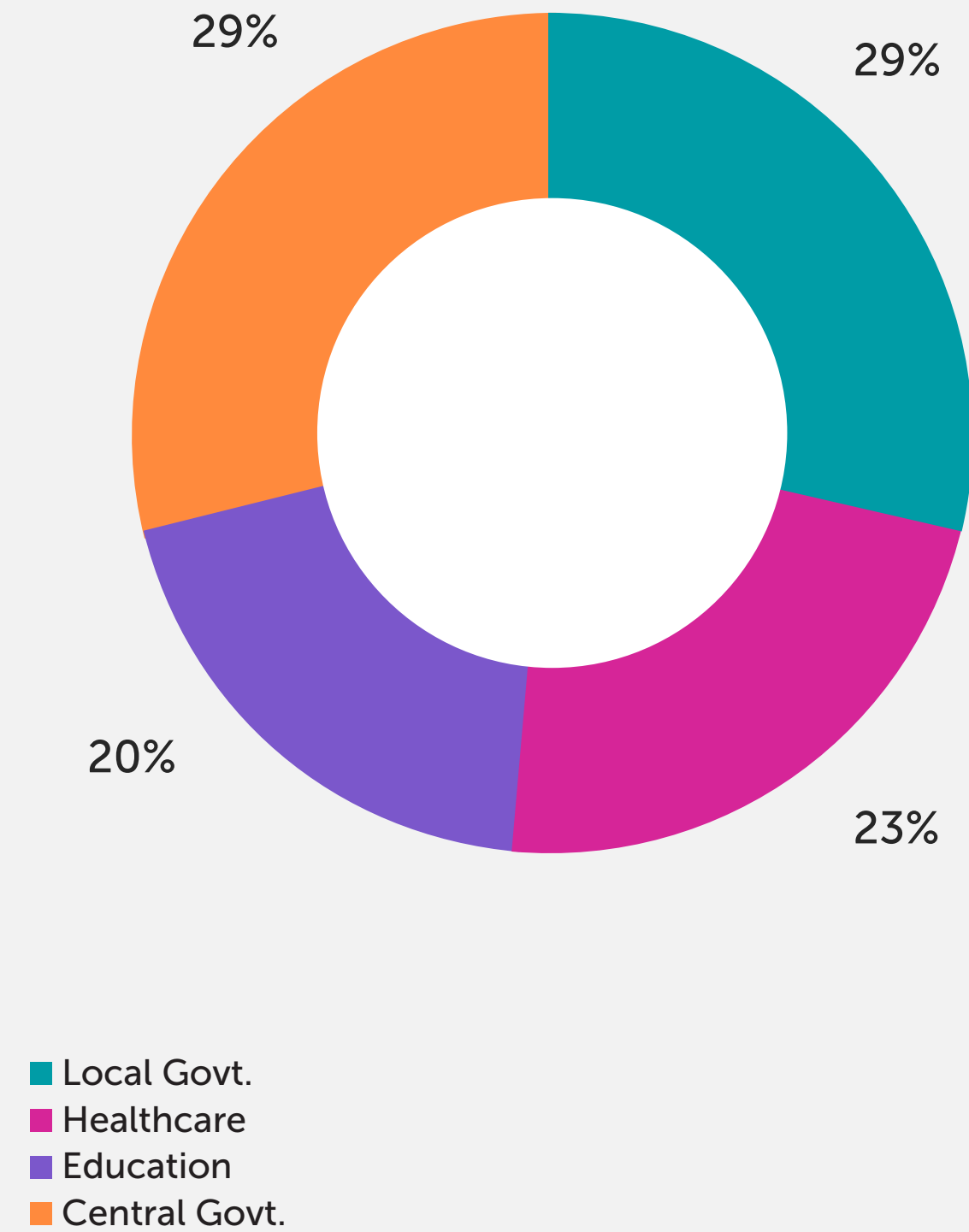
This research suggests that the people working inside central and local government, healthcare and education know exactly what they need. They need funding, skills and systems that work together. They need leaders who understand technology well enough to make good decisions about it, and they need the time and space to do the work of digital transformation properly.



Methodology and audience profile

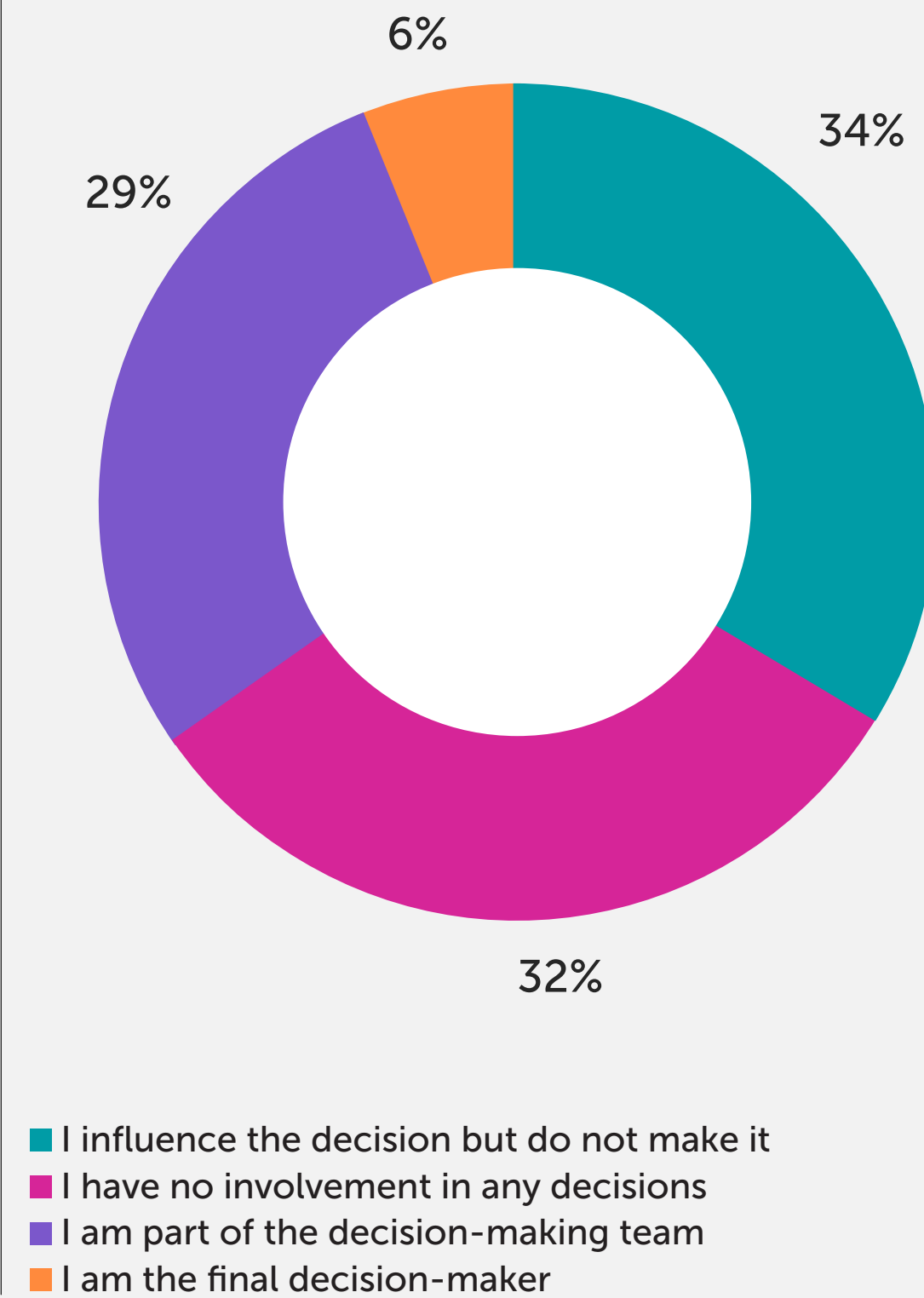
The survey was conducted in December 2025 and January 2026 via Qualtrics and YouGov platforms, capturing responses from 607 public sector professionals across four sectors: local government, healthcare, education and central government.

Public sector domain



Respondents hold a wide range of roles, seniority levels and service areas, reflecting the breadth of public sector experience these findings represent, with 69% of respondents involved in decision-making.

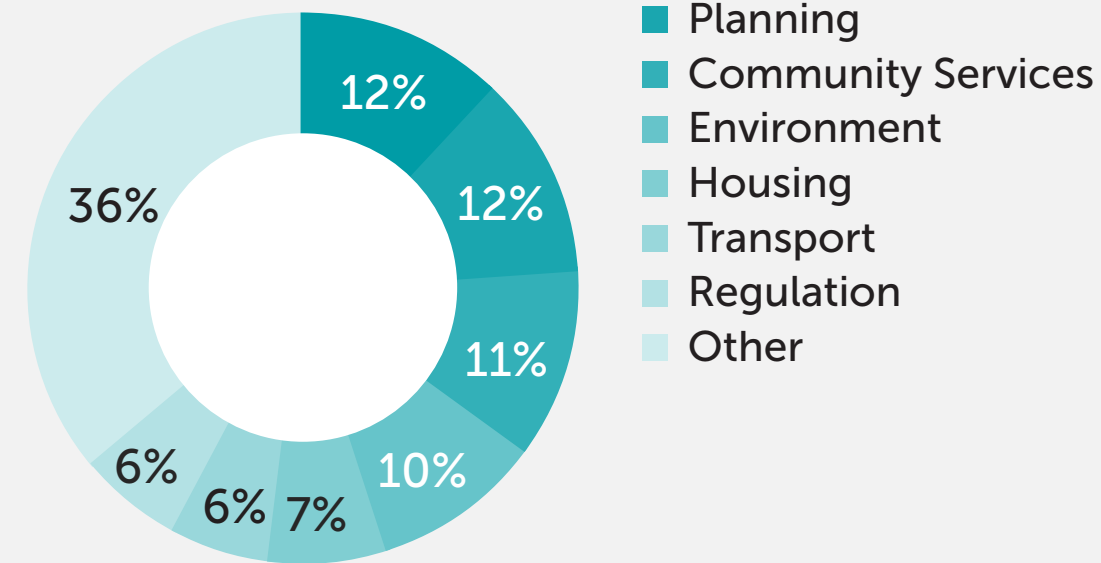
Involvement in decision-making



Local government audience profile

Respondents from this sector spans a wide range of service areas and roles.

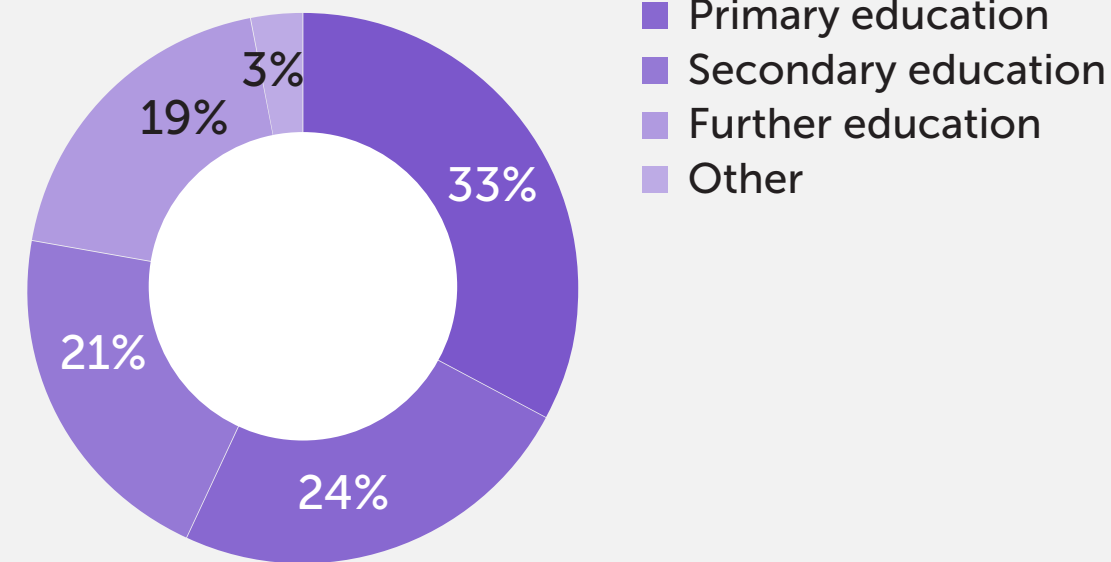
Area of work



Education audience profile

Respondents from the education cohort come from the full breadth of the sector, from primary school offices to university faculties.

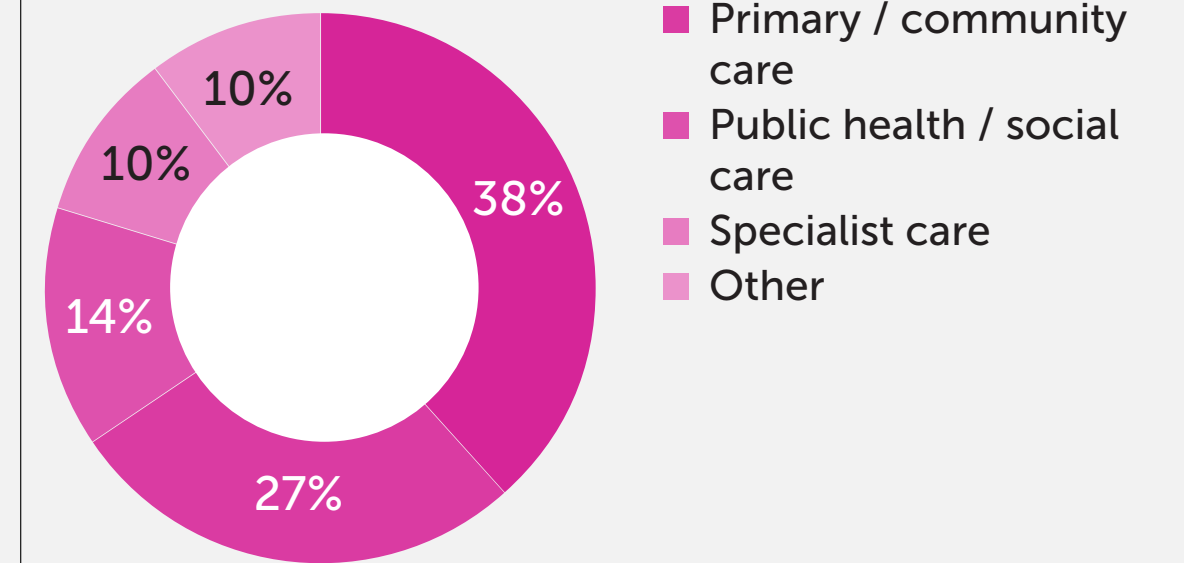
Area of work



Healthcare audience profile

The healthcare cohort is represented by 38% of respondents working in hospitals, making it by far the most common setting.

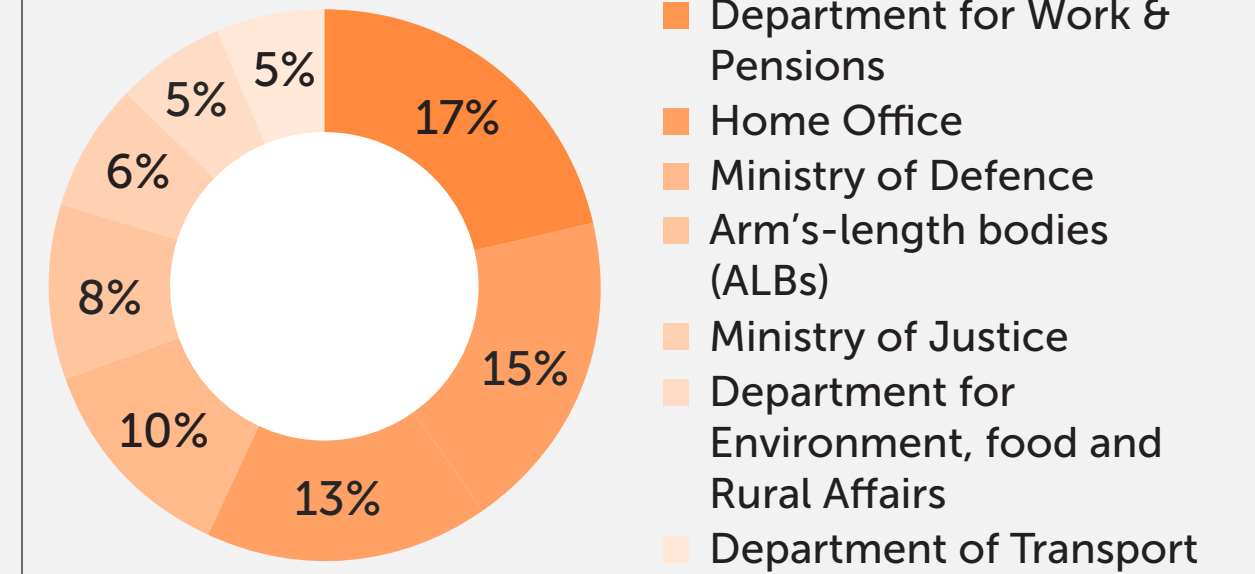
Area of work



Central government audience profile

This cohort draws from across all major departments, with HMRC leading the representation at 17% of respondents.

Ministerial department



This research report was
commissioned by Civica and
conducted by Total Research

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