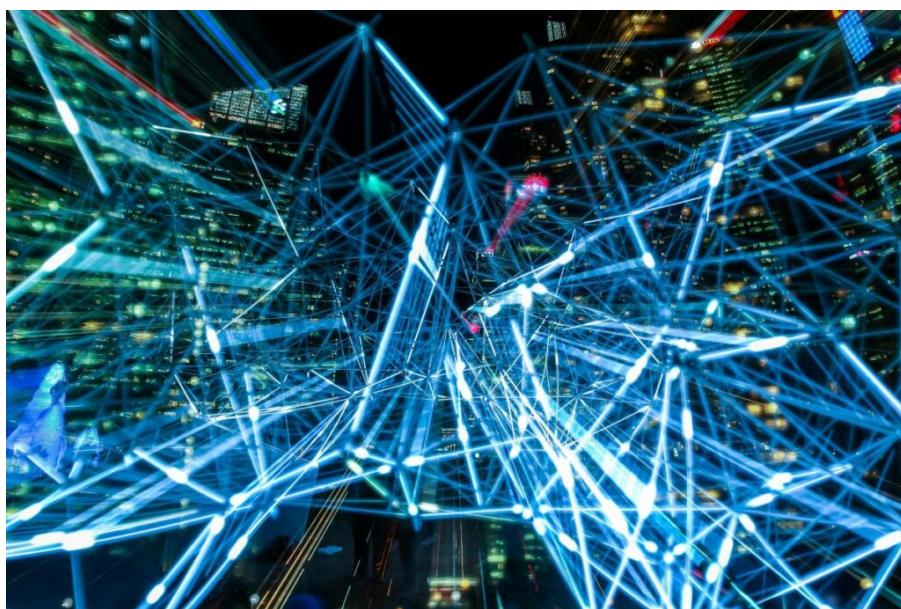


Innovation key to realising “immense opportunities” for productivity and resilience gains in public services, NAO head to say in annual speech

1 year ago



Government must embrace a fast-learning approach when investing in AI and other areas of innovation if it is to unlock the “immense opportunities” for boosting productivity and strengthening resilience in the UK public sector, the head of the [National Audit Office](#) (NAO) will say on Tuesday 4 February.

Making his annual speech in Parliament, Gareth Davies, the Comptroller & Auditor General (C&AG), will set out four fundamentals for effective innovation that, if met, will help drive productivity improvement and strengthen the UK’s resilience to short- and long-term threats.

These are: setting a clear risk appetite for investment in innovation and recognising that not every individual project will bear fruit; a culture of fast learning and evaluation; effective accountability and scrutiny that encourages well-managed risk taking; and the harnessing of new technology, including AI.

On productivity in the UK public sector, the C&AG is expected to say:

“Since the 2008 financial crisis, we’ve seen lower productivity growth across the whole economy than in the decades before. That’s well known – and Covid-19, of course, didn’t improve the picture, particularly in the public sector. Take one example of acute hospital productivity. Figures from NHS England in May last year showed it was still 8% lower in 2023/24 than before the pandemic, and much work is under way to address this. Meanwhile, demand for services continues to grow, and not just in the NHS. Focusing on

productivity across the entirety of public services is therefore essential."

On the action required to improve productivity, the C&AG is expected to say:

"[Artificial intelligence] is rightly at the top of the agenda, with clear potential for reducing the time taken for routine tasks, augmenting the work of skilled experts and making public services easier to use... The question is not whether AI will make a difference to productivity but how to maximise the benefits whilst managing the risks..."

"Second on my list is system reform... This means tackling the causes of avoidable demand and allocating resources in a redesigned system where they can have maximum impact on productivity..."

"Third, investing in people, their skills and how they are organised, and delivering higher productivity through a culture of improvement... And fourth... maintaining assets to support productive service delivery."

On the UK public sector's resilience to acute and chronic risks, the C&AG is expected to say:

"We have much evidence that money is wasted and services to citizens compromised when we're unprepared for increasingly likely events, whether that's pandemics, extreme weather or cyber attacks.

"All this evidence points to the same thing: we need to be better prepared nationally and locally; to have sound risk management in place; and to be ready to adapt to new information and events quickly and effectively..."

"I want to underline that efforts to build resilience are not in conflict with work to improve productivity. Adequate investment in infrastructure, better contingency planning, and agile and responsive services will serve both objectives. A measure to improve short-term productivity that reduces resilience (like cutting back on essential maintenance) is unlikely to deliver long-term value for money."

On meeting four of the fundamentals for effective innovation that will unlock gains in productivity and resilience, the C&AG is expected to say:

A clearly articulated risk appetite and a spread of investments to maximise the chance of success in innovation: "When the technical solutions we need to tackle big problems such as climate change are not yet fully developed or implemented, a portfolio approach to investing in research and development becomes essential. This allows a risk appetite to be set for investment, recognising that not every new idea will bear fruit."

Harnessing new technology: "We've started seeing relatively straightforward applications of AI in government... These are the foothills of a huge coming change in the design of government services and administration... [G]ood governance will be needed to manage the risks accompanying AI, to ensure fair treatment of service users and citizens and maintain public trust. But the immense opportunities for greater productivity, and more user-friendly services mean that these are risks to be managed, not avoided."

A culture of fast learning and evaluation, stopping failed experiments and scaling up successes: "Another feature of successful innovators is their ability to learn quickly what works and what doesn't, so that failed

experiments can be stopped promptly and the resources redirected to more promising ideas. Being open about this can be challenging for government, with its ingrained worry that any failed project represents poor value for money... There is a vital role here for the finance function across government, ensuring that robust financial information is used to inform decisions on stopping, continuing or scaling up innovations."

An accountability and scrutiny framework that encourages well-managed risk taking: "There are those who say that the combination of the NAO and parliamentary scrutiny can stifle innovation, because civil servants are concerned about being criticised for something that hasn't worked. I take this point seriously, although my reflection after nearly six years of attending sessions of the Public Accounts Committee is that its challenge is far more likely to focus on why officials haven't done more to improve long-standing performance issues... [O]ur refreshed strategy from 2025 to 2030 takes fully into account the risk appetite set for the range of innovative projects. We will continue to look for and highlight positive examples of innovation, including where unsuccessful initiatives have been stopped in favour of more promising ones."