Cabinet Office

Further information on the recovery work on Civil Service Pensions

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OPENING

1. Thank you, Mr Speaker. I wish to provide the House with an update on the administration of the Civil Service Pension Scheme. I must declare my own interest, as I hold a Civil Service Pension.

2. The previous Government awarded Capita this contract in 2023.

3. In response to significant performance issues, early this year, this Government intervened to increase scrutiny and oversight of the scheme's administration. Capita committed to recovery milestones for April and for June - both of which they failed to meet.

4. In June, we exercised our contractual rights and mandated Capita to produce a Rectification Plan and, at Capita's expense, to appoint a Remedial Advisor to assess that Plan. The Government also appointed an Independent Auditor to assess the effectiveness of Capita's operational arrangements up to July.

5. Capita committed to this House to deliver recovery milestones in September, which they state they have achieved. However, I want to be clear Mr Speaker that this does not reflect members' lived experience. These were self-imposed, self-determined and self-assured targets. Many Honourable Members, Unions and Scheme members have written to me asking why, if Capita has indeed met these targets, their quote remains outstanding, why their pension remains unpaid, and why they are struggling with no income despite years of dedicated public service.

6. Building on the good work undertaken by my predecessors - the Rt Hon Member for Torfean and the Hon Member for Southampton Test - in holding Capita to account, I have taken clear and definitive action to ensure Capita is held to account for these failures

PERFORMANCE

7. Mr Speaker, we have seen some improvement. On priority cases, Capita is now processing more than they receive.

8. And I would like to acknowledge that staff on the ground within Capita are working hard to support members.

9. We are also seeing some slow improvement on technology, with Capita confirming that increased volumes are being managed through automation. Capita is rolling out new tools allowing eligible spouses and dependents to view pension payslips and make enquiries online.

10. However, Mr Speaker, the question remains: why has it taken this scale of Government intervention to force Capita to act? Since taking up this role, I have met with Capita's CEO and his senior team on two occasions and expressed in no certain terms my outrage at their performance throughout this contract. We were promised - and I quote - 'the most AI-enabled Pensions service'. It is fair to say, Mr Speaker, that Capita has comprehensively failed to deliver on that commitment.

11. This progress overall has been abysmal. Complex issues remain unresolved for far too long - 1,800 cases for over a year. I know almost every Member of this House will have constituents who have first-hand experience of these unacceptable failings. While some individuals have more than one case, this is still too many members and families left in limbo, waiting for a resolution. The administration issues have also had a knock-on effect on the progress of work on the McCloud Remedy by Capita, and I will update the House in the next month on that.

AUDITS

12. The House will be aware that my predecessors directed Capita to appoint a Remedial Advisor, and Cabinet Office to appoint an Independent Auditor through the Government Internal Audit Agency. My officials have this month received the Remedial Advisor report and the Auditor's interim report, giving independent and objective perspectives.

13. It will not be a shock to this House that the Independent Adviser's report clearly shows Capita's Rectification planning was wholly insufficient, that their

technology execution was weak, and that their ambition was falling well short of restoring the quality service that scheme members deserve.

14. While poor performance has been evident, the reports now provide detailed, actionable recommendations, including the need for a new recovery plan for the whole service, with a roadmap for technology, a focus on data, and dedicated accountable leadership within Capita.

15. The Remedial Advisor report concluded that, in a service whose success relied firmly on automation, Capita did not deliver the promised technology. That they are not applying the right techniques to understand demand, productivity and capacity. That they have not put in place effective mechanisms to detect and escalate risks of failure.

16. Well, I can certainly detect the failure - but for the sake of those dedicated people who are awaiting their pensions, we must not allow this service to fail them. It is clear that Capita on their own cannot do this, and so a new plan is needed.

17. Mr Speaker, when it became clear that Capita's plan was not going to deliver, I agreed with Capita Executives that Cabinet Office officials work with Capita to develop a credible, workable and realistic Recovery Plan for which Capita can be held to account. I can confirm that for the first time, Cabinet Office officials now have full access to the Capita systems and data. I have put in place expert teams to work alongside Capita to agree priorities, improve quality and processes and ensure pensions are paid correctly.

NEW PLANS

18. The new recovery plan is made up of five workstreams:

- One to three: Looking at cases of differing levels of complexity,.
- Four: A projects workstream, ensuring that significant exercises such as McCloud Remedy are not overlooked; and

- Five: Technology, to tackle the enabling infrastructure that supports all delivery.

19. We will require Capita to evidence their focus on fixing complex cases, ensuring this plan makes the difference that Capita's original plan could not, backed up with dedicated resource, transparency, and effective communication so that affected members know that their case is being managed to a resolution

20. Capita have committed that every member with a complex case will be written to in the next month, ensuring that they understand where they are in the system and how they will be supported.

21. Old cases will not be allowed to sit in backlogs without progress, and any stuck quote or payment will be actively managed through this revised complex case management.

22. Capita's new plans will be further supported by challenge and advice from a new group of senior experts drawn from across the civil service, and led through my department. These problems have not been created by civil servants, but it will be through the expertise, commitment and perseverance of the civil service in operational delivery that we support Capita to shape the solutions.

23. Capita must be open and transparent. We will be publishing fortnightly scheme updates on the pension scheme website, with the number of complex cases outstanding, broken down by age; the service levels for straightforward cases; and the number of other tasks outstanding. We will do so until Capita's performance has stabilised.

24. I want to be clear - whilst we are leaning in with expertise, advice and practical support, Capita remains absolutely accountable for service delivery. They need to deliver their contractual obligations, and pay for work caused by their failures. We will apply all necessary commercial levers to recover the

costs we have incurred, including holding back nearly £10 million in payments.

PARLIAMENT

25. Throughout this crisis, Honourable Members have shown why they are so valued by their constituents.

26. To support this, we have delivered over 1,300 surgeries for more than 320 MPs.

27. I will provide further updates on the progress of our new recovery plan to this House over the coming months, as we ensure strong, swift and sustained service recovery in the short-term.

THE LONGER-TERM STRATEGY

28. In addition to the immediate ongoing recovery plan, I want to update the House on our longer-term strategy for the Scheme.

29. Following our previous commitments to Parliament, my officials have led an intensive programme of engagement, convening strategic roundtables with pension experts, operational practitioners, and Trade Unions. The evidence from those sessions was clear: restoring operational resilience, member trust, and service quality must be at the heart of our approach. I have instructed my officials to evaluate the viability of a range of future delivery options, including insourcing all core business operations.

30. There are already a number of different insourcing models in operation across the wider public sector pension landscape: we will draw on the lessons of what works well. We will also need to consider how the approach we take with the Civil Service scheme interacts with other Cabinet Office-managed schemes, including the Royal Mail Statutory Pension Scheme.

31. Once those assessments are complete, I will return to the House to provide a further update. But in the here and now, Capita must deliver the service our civil servants deserve and have the right to expect.

CONCLUSION

32. Mr Speaker, this Government inherited a broken, outsourced administration. We cannot replace a complex pension operation overnight. But let me be clear: This Government will hold Capita to account; continue to apply the most stringent commercial levers, and we will not rest until every civil servant receives the pension they are entitled to.

33. I commend this statement to the House.

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