

Public Accounts Committee

Oral evidence: Civil service pensions, HC 888

Monday 7 July 2025

Ordered by the House of Commons to be published on 7 July 2025.

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Members present: Sir Geoffrey Clifton-Brown (Chair); Mr Clive Betts; Rachel Gilmour; Sarah Green; Chris Kane; Blake Stephenson; Sarah Hall.

Gareth Davies, Comptroller and Auditor General, National Audit Office, Lee Summerfield, NAO Director, and Edward Pinney, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-111

Witnesses

I: Cat Little, Chief Operating Officer and Permanent Secretary, Cabinet Office; Múna Rowe, Pensions Deputy Director, Government People Group and Programme SRO, Cabinet Office; Fiona Ryland, Government Chief People Officer, Cabinet Office; and Duncan Watson, Chief Executive, MyCSP.

Report by the Comptroller and Auditor General

Investigation into the administration of the Civil Service Pension Scheme (HC 951)

Examination of witnesses

Witnesses: Cat Little, Chief Operating Officer and Permanent Secretary, Cabinet Office; Múna Rowe, Pensions Deputy Director, Government People Group and Programme SRO, Cabinet Office; Fiona Ryland, Government Chief People Officer, Cabinet Office; and Duncan Watson, Chief Executive, MyCSP.

Chair: Welcome to the Public Accounts Committee on Monday 7 July 2025. At March 2024, the civil service pension scheme had 1.7 million members, and the total liability for future pension benefits was £189 billion. The Cabinet Office is responsible for scheme policy. MyCSP has administered the scheme since 2016, but it is an unfunded defined benefit scheme.

As the NAO Report highlights, some members are not receiving the levels of customer service that they deserve. Complaints are at a nine-year high, and it is increasingly difficult for members to speak to an adviser, leading to long waits that are not acceptable. Alongside the existing management of the civil service pension, there is also the challenge of implementing a remedy programme in response to the 2018 McCloud judgment, which found that the Government's 2015 changes to public sector schemes were discriminatory based on age.

Capita is set to administer the scheme from the end of this year, although it has already missed three key milestones during the transition period. The matter will clearly be of interest to those in the room and beyond, as employees of the National Audit Office and the House of Commons belong to that pension scheme. For clarity, I note that Members' parliamentary staff do not belong to the scheme; they have separate arrangements.

To help us with all that, this afternoon we are delighted to have Cat Little, the chief operating officer of the civil service and permanent secretary of the Cabinet Office. She has huge experience. She took up her role in 2024 and previously worked at HM Treasury as second permanent secretary. We also have with us—I think for the first time—Múna Rowe, pensions deputy director, Government people group, Cabinet Office. Múna joined the pensions team from the Cabinet Office in March 2019. You are welcome to the Committee, Múna, on your first time before us. We also have Fiona Ryland, Government chief people officer, Cabinet Office. Fiona has worked in this role since September 2022. Another first timer is Duncan Watson, CEO, EQ Retirement Solutions and MyCSP, which is 75% owned by Equiniti, which he joined 10 years ago. He spent 18 years at Aon Hewitt as a scheme and corporate adviser, and latterly as its chief operating officer.

Without any further ado, we will launch in and see how we can uncover what is going on and the reasons for it. It is all quite complicated, so we

will take it slowly. To help us to start, Rachel Gilmour, please.

Q1 Rachel Gilmour: This is a simple question for Cat Little and Duncan Watson. Why are complaints at their highest level for nine years?

Cat Little: I thank the NAO for its work, which is an important part of our response to the issues we have here. Simply put, complaints have increased for three reasons. First, the complexity of the context in which we operate—the Chair has already alluded to the McCloud remedy, which significantly increased the volume of inquiries and the complexity of the work that the scheme is handling on behalf of Government.

Secondly, volume and demand—we have had an increase in the number of members of the scheme from 1.5 million to 1.7 million, Demand has increased, too. For example, quotes from deferred members have gone up by 35% since 2024. That is a phenomenon that we are seeing across a number of pension schemes. There are a number of reasons for that.

Thirdly, there have been performance challenges, which I am sure that Duncan will talk about in more detail: the 2024 issues with two of the main KPIs for service performance, and we have had challenges with call centre resourcing. Those are the big three reasons why we have seen complaints go up. It is clearly unacceptable.

Duncan Watson: You are right. Poor service in certain areas drives complaints. It drives people chasing where their quote or benefit is. That drives demand into our inquiry centres.

To add to what Cat said, in pensions generally, with the pensions freedom that has now been around for a little while, more and more people who approach 55 are more interested in their flexible options. The cost of living crisis, to use that phrase, driven by global economic issues, has also driven people to look at their pensions and whether they can take flexible retirement. That is driving more demand into our staff base. Cat cited the increase in the number of quotes: volumes have increased by 25% since 2017, while the membership has gone up only by 12%, so the actual number of requests per member has gone up significantly over that period.

To add one more thing to that, in 2023 the Cabinet Office decided to move the contract to Capita. That has done two things to MyCSP staff: first, they were very frustrated. Many are ex-civil servants and have worked on this scheme for 13 years. That has driven uncertainty into the colleague base, and therefore we had much greater turnover of staff during 2024. At the end of 2023, our voluntary turnover rate was 12%, and that had risen to 24% by the time we got to the end of 2024.

We have had to deal with all the pressures that Cat articulated with a very fluctuating resource base, particularly in our inquiry centre, where colleagues tend to be younger and inexperienced. It is probably their first job, and they have never gone through a situation in which the company they work for is going to be wound up and the contract moved to a different provider. They are therefore much more likely to say, "I do not



like this. I am going to go and find a job elsewhere.” In that situation, I guess, it is also harder for us to attract permanent staff, because they know that the contract is moving on in a couple of years’ time. That has just added to the pressure that the remedy has caused and the general interest in the pensions environment.

Q2 Sarah Green: You just outlined why performance at the contact centre has reduced since 2023, but what are you going to do between now and December to make sure that it is staffed at the level it needs to be?

Duncan Watson: A couple of things. First and foremost, we have increased our staff numbers overall. As of March this year, we are at the highest staffing level in our core services. MyCSP does many things—we are dealing with remedy and the transition, but our core BAU services deal with the day-to-day—

Q3 Sarah Green: With BAU meaning business as usual?

Duncan Watson: Yes, the day-to-day requests that members are asking for. Staffing for our core services, including the inquiry centre, was the highest in April 2025 since October 2023, so we have added to staff. Turnover has stabilised, so turnover is starting to come down. Since its peak at the end of December 2024, it has come down gradually and it has gone down again in June 2025. That is partly because the transition to Capita is much clearer. We have started the TUPE process. Before that TUPE process started, our colleagues were guessing about what life was going to be like. They did not know what their benefits were going to be, and that was driving individual uncertainty for them. We are now firmly in the TUPE process, so staff are actually starting to understand what working for Capita is going to be like, which is reassuring. They understand more about the benefits that they are going to receive. That has allowed turnover levels to drop.

We have also introduced more automation into the business. We put more automation in during the middle of last year. That meant faster turnaround of quotes and that we fixed some of the service levels that went badly wrong in 2024. That is driving less demand into the inquiries centre, because more than 65% of calls to the inquiry centre are people chasing where their quote is and where their information is. They call and call, because they are getting consistently frustrated, so once the service level stabilises and improves, there are less people calling to chase where their work is.

Q4 Sarah Green: You mentioned the TUPE process. Roughly, what percentage of the team is transitioning?

Duncan Watson: We have exactly 326 TUPE-ing. The balance of our colleague base we have brought into deal with remedy—remedy is a fixed project and when it ends it will not be transferred to Capita in the main—and to help with the transition to Capita. It is not just a complicated transition for Capita; it is very complicated for our team. There is a massive drain on our subject-matter experts who know the scheme very well. They are trying to deal with remedy, business as usual and trying to



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help Capita with the transition. We have brought in temporary staff to help backfill those staff. Our overall staffing levels are probably the most buoyant they have been for quite a period of time, but the main thing is that the workforce is settling down now; it is much more stable, and therefore it is much easier to keep folk in place and to attract temporary staff.

Q5 Sarah Green: Cat Little, what is the Cabinet Office doing to ensure that performance at the contact centre improves?

Cat Little: The first thing to say is that we work really closely with MyCSP, and we have a very open, transparent relationship. This transition is a big risk for both of us, and we want to make sure that it is done well. Duncan mentioned the additional resourcing that we put into the call centres. That has been done as a specific resource requirement that we have set out as part of a contract variation with MyCSP. We have stipulated the level of performance and the number of resources that we expect to be in that call centre. Our usual KPIs are still extant, and I am very pleased to say that MyCSP are currently meeting all the KPIs, although, as I am sure we will get into, there are obviously points where performance has not been good enough and the KPIs have fallen short in the contract. Close working, open data, transparency and good risk management are the basis of how we are working together.

Q6 Chair: Duncan, the permanent secretary mentioned the call centres and the additional resources being put into them. You will be aware of the written parliamentary question from 19 June 2025 asking you to set out the data on call centres. If you look at that table, 7,497, which is 24%—nearly a quarter of all calls—were abandoned between December 2024 and May 2025. That is pretty shocking, isn't it?

Duncan Watson: It is not at the levels we need it to be at, absolutely. I think it is driven by this. As we get our resources right, there is a lag between agreeing to put resources in and pay for them and training. It takes six weeks to train a call centre operative from when they start until they understand the scheme well enough to take a call. We do not want people who do not understand the pension scheme taking a phone call and just frustrating the member because they cannot deal with the query, so there is that lag from agreeing that we will put more resources in and taking the action and then recruiting, which is slightly difficult at the moment in pensions generally and certainly in the north-west. Obviously, with the backdrop of the transition of the contract in only five months' time, it is difficult to attract and get people to stay in that environment, plus there is the training lag. So there is a lag from acting to seeing improvement in the figures.

Q7 Chair: I understand all that, but can you give any hope this afternoon to people who may be watching these proceedings? Thousands of them are out there and trying to get their up-to-date statement, their transfer value or whatever it is that they are trying to get. They cannot get through on the phone. Their emails are not getting answered. Can you give those people any hope as to when things are going to get better?



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Duncan Watson: We are talking here about the wait times and abandonment times. On the underlying delivery of the service levels, they are all being met. We have not missed a key service level, which is the service level about issuing quotes, transfer values etc. They have all been met in 2025—we haven't missed one. That will also help because there will be less demand from people calling in to chase what they have already got because we have met those service levels.

Q8 **Chair:** On the same day, another parliamentary question was answered by the Minister in the Cabinet Office, Georgia Gould, who said: "Currently, the scheme administrator, MyCSP, has 52,748 ongoing work items awaiting processing or further information." I do not know how many items you get a day, but that still seems to be quite a big backlog.

Duncan Watson: It sounds big, but our usual working backlog is between 30,000 and 40,000, so it is in that context. It is higher than we would normally have, but our usual influx is such that we deal with over 600,000 items of work—as in transactions, plus general queries—in any one year. So it is high—higher than it normally would be—but it is not as high as you might think when just hearing the figures cold, if that makes sense.

Q9 **Chair:** Six hundred thousand in one year and a backlog of 52,000—that is still quite a high percentage.

Duncan Watson: That is a running backlog. Just to explain it, that is the running number of items that are to be allocated into the queue. There are items added every day and items coming out every day, so it is not the aged backlog, if that makes sense.

Chair: Thank you for that clarification.

Q10 **Chris Kane:** Can I pick up on your first answer on the reason for complaints being so high? You said it was because you have high staff turnover and you are struggling to keep people, but in your second answer you said you have the highest level of employment that you have ever had and you are getting people in. There is a disconnect in my head: you seem to be losing staff, and that is a problem, but then you seem to be getting staff quite easily as well. Why are you attractive to new staff, but not to existing staff?

Duncan Watson: New staff tend to be temporary; we are filling a lot of the staff roles temporarily, so those new staff are coming in on a fixed contract and we are adding extra resource, above our normal levels. Temporary staff or fixed-term-contract staff do not mind coming to an organisation that is in transition. Hiring permanent staff is much more difficult. We had the peak of the service issues through the middle of 2024 and into autumn 2024, and it was increasingly difficult to hire permanent staff when we were not in a TUPE consultation yet and staff were saying, bluntly, "Why would I join MyCSP when you have 18 months left of your contract?" We have switched our resourcing model a little bit, to create a much higher temporary staff mix, and they are willing to come. But my figures there were comparing now—recent months—versus 2023; 2024 was a really turbulent year in terms of people leaving.



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The other feature that is widespread in the pensions industry is that it is harder and harder to find experienced pension administrators. We have an ageing skillset and not enough new people coming into the industry. Therefore, if experienced people have left the organisation, it has disproportionately affected the service because they are the ones who can deal with the complicated cases, and the ones who are getting caught in the middle of remedy and the transition and day-to-day work. So finding good staff whom we can train quickly has been a challenge. Because the workforce has settled down, we are seeing fewer people leave and therefore less need to top up, if that makes sense.

- Q11 Chris Kane:** I think you said it took six weeks to train somebody up to answer questions in the call centre. Are you finding that the temporary staff are providing a good level of service by the time you get them trained up? If you have well-trained workers, I would expect the complaints to start going down, regardless of whether they are temporary. Or are you finding that this is perhaps a cultural problem that comes in when you have temporary staff who know they are there for only six months? Are we going to see a short-term reduction in complaints?

Duncan Watson: I think that the transiency in call centres is just the environment—folk think they can cope with it, and then they join and can't. We are trying to supplement experienced temporary staff, so we are using specialist pensions agencies that can find staff who have pensions knowledge. They are there to try to supplement the actual work that is being done, and therefore driving down complaints, because the work is being done on time. The way to drive down call times and complaints is to get the core work delivered in line with service standards, because that reduces the number of members who feel the need to phone in and complain.

- Q12 Chris Kane:** A quicker way to ensure a good level of service is not to let people leave, or to incentivise them to stay. The incentive can be more money, but it can also be a better working environment. What are you doing to ensure that your work practices are not driving people out the door quicker, regardless of whether there is only six months left on the contract?

Duncan Watson: There are three answers to that question. One is that the work environment has generally settled down, because colleagues can now see what the future looks like. There is generally a strong hope that Capita will provide a good working environment, and therefore people are now more willing to stay and see what that looks like, rather than leaving early and taking a risk somewhere else.

We have also put in place a retention scheme to target the key individuals we absolutely need to maintain service, help to deliver remedy and help to deliver the transition through 2025. Also, they are the people Capita is going to need to run the service, because these are the people who understand the scheme.



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As you are all aware—the NAO Report mentions this—colleagues have a 25% ownership stake in the company. We pay an annual dividend based on the profits of the company. We will pay a dividend to those people who remain employed on the day before the contract transfers to Capita. The closer we get to that date, the less likely it is that someone will leave, because if they do, their final dividend is reduced by, I think, about 80%. The closer we get to that date, the less financially sensible it is for any colleague who has been at MyCSP for a period of time to leave.

Q13 Chair: To be absolutely clear, will new people you recruit now still be entitled to the full dividend?

Duncan Watson: There is a cut-off period, which I think is six months. We are getting close to that point where new people who join will be close to the transition and will not be entitled to it. People who have entitled service will get two dividends. They get an annual dividend that is paid out of the annual profits, and when we wind up MyCSP Ltd in 2026, any remaining reserves that are attributable to the minority shareholder—the staff—will be paid out as well. That depends on their service. If someone chose to leave now, they would lose most of the right to that final distribution.

Q14 Mr Betts: The Committee has come across a number of examples of people's frustration when they ring call centres. They are often ringing because they cannot get answers to their questions any other way, so they are already a bit wound up and frustrated, and then they sit there and wait for the call to be answered. On average, how long does it take for the calls to be answered?

Duncan Watson: I can give you that exactly. The overall statistic for the last eight years, from 2017 through to the end of 2024, is just over three minutes for calls to be answered. That was not the case in 2024, when it was nearer to 15 minutes on average.

Q15 Mr Betts: Is this a free call service, or do people have to pay?

Duncan Watson: It is a free call service.

Q16 Mr Betts: Fifteen minutes is a long time, isn't it? That is an average, you say.

Duncan Watson: It is an average. The waits in 2024 were not acceptable.

Q17 Mr Betts: Is that unacceptable service continuing now?

Duncan Watson: Our answer rate is now back to where it was in 2022-23. Our answer rate in 2025 so far is improving.

Q18 Mr Betts: So it is back to where it was?

Duncan Watson: The answer rate is back to where it was. The answer rate is the number of calls we answer within 80 seconds.

Q19 Mr Betts: Three minutes—how long does it take on average now?



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Duncan Watson: I am not sure whether I have 2025 on this piece of paper. If I have not, I will write to the Committee.

Q20 **Mr Betts:** That would be helpful. You have obviously got challenges. We will come on to the scheme following McCloud changes. Why are you picking a fight with your employees?

Duncan Watson: I will explain the situation. The PCS union has never been recognised by MyCSP for collective bargaining or otherwise. The reason is that because MyCSP is 25% owned by the employees, they have an elected, formal employee works council. That is elected by staff in both locations, and that council is involved in all negotiations around terms, conditions and pay. One member of that elected council sits on the executive committee of MyCSP Ltd, and there are two further employees elected as directors of the company who sit on the formal board, plus an independent director who represents the staff. We feel that colleagues have absolutely had the support that they need for independent negotiation and consultation with MyCSP Ltd.

Q21 **Mr Betts:** But not all your employees feel that, do they?

Duncan Watson: No. Union membership had been relatively low up until last year. I think the switch to Capita has caused the union to be more active. They are clearly seeking to be recognised when the transition to progress to Capita happens. They have been more active in that in the last six months.

Q22 **Mr Betts:** Do you think it might be a good idea to recognise that?

Duncan Watson: Yes, we are speaking to them.

Q23 **Mr Betts:** To go a bit further, why are you resistant to actually recognising them? Not everybody will want to be a member of the union, but you will be able to engage with those that do. The TUPE transfer is very important to people—it is about their terms and conditions. Surely that would then go more smoothly.

Duncan Watson: It would, but to be specific about this, the transfer of measures is about Capita's measures, so the union would need to be discussing those with Capita, not MyCSP Ltd. Me recognising PCS as a recognised union—I am not empowered to negotiate the terms of the TUPE measures. They are Capita's measures.

Q24 **Mr Betts:** Nevertheless, the union wants you to recognise it now, prior to this transfer happening. Would it not be better to have recognition of an appropriate civil service union, rather than ending up with a dispute that is going to worsen your customer service?

Duncan Watson: Yes, and we are talking to Capita, the Cabinet Office and PCS about this right now.

Q25 **Mr Betts:** Right. Surely the Cabinet Office has a role in trying to smooth this out, doesn't it?



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Cat Little: Yes. We work very closely with both Capita and MyCSP. It is in all our interests to ensure that the transfer goes as smoothly as possible and that our unions and members of staff are listened to. We have an industrial relations team in the Cabinet Office who are supporting and providing assistance where appropriate. It is important to remember that we are not the employer; we can merely advise and support where appropriate.

Q26 **Mr Betts:** You are not the employer, but you are the organisation that is organising the transfer of this service to another company. Surely you have a responsibility to ensure the transfer goes smoothly, and the training must have a role to play in that.

Cat Little: As you say, it is absolutely our responsibility to manage the risk of the transfer. We do it in partnership with our suppliers. Wherever it is appropriate, we are talking to MyCSP and Capita about how we support on trade union engagement. PCS is our largest civil service trade union, and we have much bigger relationships across a whole range of issues, so we are familiar with all the arguments and issues. We also support on a range of other TUPE arrangements in Government. We are actively involved, and we are supporting.

Q27 **Mr Betts:** Is it normal practice to let a contract to an organisation that does not recognise trade unions?

Cat Little: I do not know the answer to that. It is not codified anywhere. Obviously, when we are undertaking a competitive procurement process, we look very closely at working and employment practices. That is an important part of the assessment that we undertake. I was not close to the specific procurement rules that we applied here. I don't know whether Múna or Fiona would want to add anything.

Múna Rowe: I don't think that specifically comes up with regard to trying to understand which union a supplier represents. There are a number of criteria that we look for, around social value and the like, but I do not recall the specific question, "Do you recognise unions?" It might well be assumed, but it did not come up.

Q28 **Mr Betts:** I am sort of probing now. It was some time ago that this particular contract was let, but here and now, as things stand, when you go out to tender for future contracts will there be an assumption that trade unions will be recognised? Is there a requirement that trade unions should be recognised? Isn't that Government policy?

Cat Little: I am not aware of a specific Government policy on this. I suppose the most important thing when we are contracting to our supply chain is looking at employer and service outcomes. I am very happy to take that away. Obviously that is a policy matter for the Government.

Q29 **Mr Betts:** Yes, I accept that, but in this sense it is a matter of performance. If the non-recognition is likely to cause problems with performance going forward, it is an issue that needs addressing.

Cat Little: I entirely accept that. From a value for money perspective, if non-recognition has a direct impact on performance, that is a matter that obviously we care about. As I said, we are actively involved in trying to support that transition.

- Q30 **Mr Betts:** Thank you. Moving on to the actual effect on performance, Mr Watson, you said that you were going to come back to us with figures on the current average time to wait. Have you done any analysis on the impact that the poor performance of the last few months has had on people trying to get through and the frustrations they might be having about a difficult time when their pensions might be changing?

Duncan Watson: We have. That is why we have worked with the Cabinet Office to agree the extra staffing that the Cabinet Office is supporting. That analysis led to that. We look at our call times as part of our monthly service review with the Cabinet Office, so that is very much front and centre.

- Q31 **Mr Betts:** Do you have any information about what you found when you did that analysis?

Duncan Watson: Part of it is remedy-related. We have written to 50,000 people in the last two or three months about their immediate choices. That is driving up more demand into the inquiry centre as well. It is the constant waking up of the membership to make really important choices that are complicated.

If you look at the NAO Report, it refers to the customer satisfaction that our callers score and the effort it takes to get through to MyCSP and talk to someone in the inquiry centre. The satisfaction score has hardly changed. It has dropped a tiny bit, but it has been constant at around the 4.2 or 4.1 mark for the last couple of years. The effort score to get through, as you might expect, has come down a little more because of the wait times. That tells me that we are probably spending more time on the phone because there are more complicated queries, but when callers get through they are still satisfied with the call that they are having. It is the waiting time and the abandonment that we are trying to fix with the extra staff.

- Q32 **Chris Kane:** To drill down on that a little further, you have said that you are not recognising the union because you have an employee set-up that you have put in place in advance. That seems reasonable, right up to the point where your employees want union representation. I am unclear as to why there is an issue here. You say you are talking to them. Is that talking to them and expecting recognition to come shortly, or talking to them and not expecting it? I am unclear as to why you would think, whenever anyone wants union representation, that that is not a given, and you should look at it.

I suppose the question, also to Cat, is this: in that situation, where you have a union saying, "We need representation now," why do you think it is okay to say, "We're not the employers—that's not for us"? If the answer is that you cannot do anything about that, you can surely put something into



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procurement to make sure that you are not in a position where you have to say, "We're not the employer—that's not up to us" in future. Could we just spend a minute tying all that together? Why just not recognise them? Why is it okay to say, "It's not for us"? If it is, why are we not solving it with procurement?

Duncan Watson: First and foremost, there is no collective bargaining from MyCSP, and there are no plans to change any terms and conditions or pay between now and 1 December. Recognising the union for collective bargain will have no impact for them with MyCSP limits.

Q33 **Chris Kane:** The union is seeking recognition. You are giving a reason as to why you are not doing it, but it is seeking representation. Why not just say, "Okay"?

Duncan Watson: I could do, which is why we are talking to Capita and the Cabinet Office. The issue is more for Capita going forward; if I recognise the union now, there will then be an assumption that the union will be recognised by Capita. I need to make sure that Capita is comfortable, and we are having those tri-party conversations.

Q34 **Chris Kane:** The unions are saying to us that they want recognition now, not in six months' time.

Duncan Watson: From what they have said to me, the important thing is that they are recognised in six months' time, but they want recognition now as well.

Cat Little: To add to that, my understanding is that under TUPE no single body involved here can unilaterally decide to recognise the union, just because of where we are in the TUPE phasings. It is just a fact that the Cabinet Office is not the employer, so we cannot unilaterally take the action to recognise the union. My understanding is that it needs to be undertaken as a partnership, as part of the transition. I am conscious that Fiona is an expert in this.

Fiona Ryland: As has been said, it was not a contractual requirement for Capita to recognise PCS. We are supporting and encouraging Capita to recognise PCS, but that is absolutely a decision for it to take.

Cat Little: On your point about whether it is okay for me to say that, it is just a matter of fact—and I believe law—that we cannot unilaterally recognise a union, where I am not directly the employer of staff. That is my understanding.

Q35 **Chris Kane:** To be clear, I was not saying, "Why can't you unilaterally do it?" I was asking why you cannot strongly suggest that this is something that might be worth doing. Or are you strongly suggesting that?

Cat Little: As an employer, we recognise a range of unions, including PCS. We see huge value from working with our trade unions on employment matters, so we would always strongly encourage people we work with in our supply chain to have that sort of relationship.

Q36 **Chair:** Just to knock this on the head, I assume that Capita does recognise PCS.

Fiona Ryland: I am not sure whether, in other contracts, it recognises PCS.

Q37 **Chair:** If it does, it seems to me that the argument here is that some members of the civil service pension scheme want union recognition to make sure that their TUPE terms are as good as they could be. If Capita recognises the PCS union, potential new employees wanting to TUPE over from MyCSP would join the PCS union as Capita employees and make sure that they are represented.

Fiona Ryland: I am just not sure whether Capita recognises PCS.

Q38 **Chair:** Perhaps you could give us the answer to that question—that would be really helpful.

Duncan, why did so few scheme members receive their first pension payments and retirement quotes “on time” in 2024?

Duncan Watson: I think we have covered the perfect storm at the time. Actually, with their first pension payment, that service level is split into two. Service level 51 is split into 51A and 51B; one is the payment of their first instalment and the other is payment of the lump sum. Fiona can correct me if I am wrong, but I think the contract stipulates that the payment of the lump sum be made on the same day as the payment of their first pension instalment. Broadly, I think that we paid the first pension instalment on time. I think the graph in the NAO Report is actually the lump sum payment graph, rather than the first payment. They are separate service levels. I think that people were getting their first instalment, but they were not getting their lump sum at the same time.

I think there is a comment in the Report that says that we did not check to see how long it was actually taking to make the payment, but we endeavoured to get that lump sum to all members within the month of retirement. We might not have hit the first day, but our instruction to our teams was to get that lump sum within the first month. Most pension schemes do not pay the lump sum on the first day with their pension instalment. It is slightly unusual for the CSPA; it is a great service level for the members. We endeavoured to get that out to them in the first month, so I do not think any members were waiting longer than that for that lump sum payment.

Q39 **Chair:** We received evidence that a particular person has been unable to access an accurate pension forecast from you, which has had an impact on their ability to plan for the future. They say that there has been no route for dialogue or complaint with MyCSP. On the ground, some people have been severely impacted. What are you going to do for those people?

Duncan Watson: If those people have been financially impacted and it is our fault—if the complaint is upheld against MyCSP Ltd—then we will clearly look to compensate that individual for the inconvenience that we have caused.



Q40 Chair: Some of these are really serious issues. If you were in the middle of a divorce and you wanted to get a CETV but you had to wait nine months for it, that would impact the whole divorce case. These backlogs have been pretty serious for some people.

Duncan Watson: I will just put into context how the service levels work; I stand to be corrected by Múna. We have to hit 99.5% of cases within each service level in order not to breach the service level. If 1,000 retirements are processed in May, we have to get 995 right not to breach it. One of the reasons our team at MyCSP are genuinely frustrated with 2024 is that, from 2017 to 2023, we only missed eight service levels in those seven years. We missed more in '24 than we did for that whole seven-year period. They are very frustrated with themselves, and with the effect it is having on certain individuals, but be reassured that the vast majority of cases are being processed within the service level, or we would have missed the service level. We tend to hear about the ones that are causing the most distress, just by their nature.

Q41 Chair: What went wrong in 2024?

Duncan Watson: I think that we have described the perfect storm of remedy. I think the civil service scheme should be proud of where they have got to with remedy. I work with many public sector schemes across my wider business, and the civil service pension scheme is far above the rest in the progress made with remedy. That meant that, to repeat a phrase I used earlier, we were waking up the membership to remedy, which is complicated—I am a pension scheme actuary and I struggle to understand some elements, but we expect pension scheme members to understand the choices they will have to make.

The general interest caused by remedy in the public sector has led people, even if they were not affected, to call up and ask, "Am I affected?" That hit the early part of 2024. We were three months into the knowledge that we were not going to keep the contract past 2025, so our staff attrition and staff nervousness was at its height, and we had to start to deal with the transition. I think it was a perfect storm of three things hitting all at once.

Chair: It just so happens that my deputy Clive Betts, sitting next to me, is a parliamentary pension fund trustee, so he is well placed to ask you some questions about it.

Q42 Mr Betts: Do you think that there was an underestimation of the complications of remedy and how much work it would cause?

Duncan Watson: It was not just remedy itself, but trying to apply remedy to the scheme information that we have. The civil service scheme is quite complicated, and we rely on lots of information from the employer—or the employers, if individuals have moved around different Departments. When you come to do remedy, you are unpicking calculations that possibly go back several years, and you need to make sure that you have the right data to do that. We did not have the right



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data to do those calculations in all circumstances, so we had to go back to the employers to get it.

There were two things. We underestimated how much we could automate in the system. We have automated, I think, about 50% of remedy calculations; that has helped, but I think that we underestimated how complicated it is to do those dual calculations and give the member the choice. Múna, do you want to add to that?

Múna Rowe: I will. To clarify, Duncan referred to two SLs, and the two that failed in the period were the actual retirement quotes and the lump sum payments, so the actual pension payment was fine in that period.

One of the key issues that we encountered during that period was the remedy that happened at that time. We are quite a way ahead of a lot of the public sector schemes in the implementation of remedy, and we started to issue the dual statements quite early on. The legislation came out in about October '23, and we started issuing the dual statements then. You are quite right that the complexity was a little bit underestimated, because having to send out two statements instead of one, rather than increasing the rectification part, increased the lead time. We brought it in early. That had a massive impact: it delayed the quotes, because there was a lot more work sending out quotes than there would have been, and the knock-on from the quotes being delayed was that the lump sums were getting delayed.

We then looked at staffing levels and at a recovery plan for MyCSP, and things have started to stabilise, but I think the period of fails when there were those delays to the lump sum lasted for about four months, or something like that.

Q43 **Mr Betts:** Duncan, you mentioned the need to get data to do this from Departments. Has that been a problem, and would you like to say which Departments have been causing particular problems?

Duncan Watson: I won't say which Departments. I think it is complicated. This is data that goes back quite a long period of time. Getting accurate information about, for example, salaries—and we should get Fiona to chip in on this—has been a problem in cases, but the issue is the complicated nature of the data and the amount of data that we need to get. Some of that information was not necessarily needed for the scheme benefits that were in place post remedy, but when you go back and try to do that and do the second calculation, you then have to go and get the information you would have had in the first place.

Q44 **Mr Betts:** You cannot tell us if some Departments were particularly slow?

Fiona Ryland: I think the challenge is not only going back seven years on pension and pay data, but civil servants moving around Departments; you have to go to multiple Departments sometimes in order to build a person's complete record.

Q45 **Mr Betts:** This question is either for Cat Little or Múna Rowe: you paid



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more than £31.7 million to MyCSP to help the delivery of the remedy programme. Were there any performance indicators attached to that payment?

Múna Rowe: No, at the time there were not. Because of the nature of remedy, at the time that the programme started, the legislation had not been fully formed, and the whole industry was trying to understand what it actually meant and what the stages of the work would be. It was therefore very difficult to attach performance indicators to that programme at the beginning.

As it progressed, we have attached performance indicators, particularly to the area of work that we are doing now, which is around the immediate choice, whereby this is now remedying the pensioner members and sending out those statements. We did not have them in the early days, because the picture was evolving and it is very difficult to get legislation coming out that would be acceptable to both parties.

Q46 **Mr Betts:** You just agreed an uplift.

Múna Rowe: What we were basically doing at the time was paying for work that was being done. Performance indicators have come in very handy for us where there are delays, because they do actually focus the mind on the actual deliverables. We had to just do the work because we had certain deadlines to hit, and remedy needed to be implemented, but there were no indicators or milestones, where hitting them would result in the payment. It was on the basis of time and materials.

Q47 **Mr Betts:** Are there are indicators in place now?

Múna Rowe: Yes.

Q48 **Mr Betts:** But at the time, when you paid the £31.7 million, you just gave the money over in the hope it would improve things?

Múna Rowe: No, because we were delivering. We delivered a lot under the remedy programme.

Q49 **Mr Betts:** You haven't delivered. You don't know what was being delivered. You didn't pay that for a certain delivery. You were just paying it.

Múna Rowe: No, while there wasn't a contractual milestone, we would agree a contract change note of what was actually being done, because as the latest legislation came out, we would understand what needed to be done and it would get priced up. We would make the payment on delivery of that, but the milestones have helped us to remove any slippage because it focuses on—

Q50 **Mr Betts:** I am confused by the answer. I am sorry—I am not trying to be difficult. I am not quite sure what performance indicator you are paying the money over. You said it wasn't attached to a performance indicator, so what is the difference between a performance indicator and a milestone?



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Cat Little: May I try to summarise? We did not hand over £31.7 million at the start. It was done on a time and materials basis at the very start, as MyCSP deployed staff to do work. As soon as the remedy judgment came down, it was our obligation to comply with the law, and immediately MyCSP needed to deploy resources on it.

As those resources were stepped up, we made payments in line with the number of people who were now working on the remedy. As soon as the legislation made clear what was required, we put in place appropriate deliverables and work packages, so that any payment made was linked to outcomes and activity.

Q51 **Mr Betts:** That is a helpful explanation.

Cat Little: So there was a very short period when we were doing this on a time and materials basis.

Q52 **Mr Betts:** Of the £31.7 million, some of it was paid before the performance indicators were in place and some of it after.

Cat Little: Exactly.

Q53 **Mr Betts:** That is helpful. Thank you. I will just come back to where we are up to now, because pensions are a big issue for people. Some people who are already retired may have choices to make following McCloud. Other people who are about to retire in the next few years will have to make similar sorts of choices. Where are we up to now, having actually given the information, first of all, to people who are retired about what their choices are?

Duncan Watson: About 51% of the retired population have had their statements now. I think the vast majority have written back to us. I have not got the stats with me, Mr Betts, but we can certainly get you—

Múna Rowe: 35,000.

Duncan Watson: 35,000 have come back to us with their choice.

Q54 **Mr Betts:** They have actually had the choices presented to them?

Duncan Watson: Yes.

Q55 **Mr Betts:** And what about the people in the group who will retire in the future? What is the percentage there?

Múna Rowe: With regard to those retiring in the future, we already have the process in place that anyone coming to retire as of October 2023 gets the choice at the point of retirement. That is ongoing.

Q56 **Mr Betts:** So you do not do that until the point of retirement?

Múna Rowe: That is right.

Q57 **Mr Betts:** So you do not give people the information in advance so they can make a choice?



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Múna Rowe: We do. We send out statements so that everybody will know what benefits they are building up. But it is a deferred choice that they make, and that is at the point of retirement.

Mr Betts: Okay.

Fiona Ryland: That is built into our business-as-usual process, isn't it?

Q58 **Mr Betts:** You can come back with the information about that. Do you have a plan now about when everyone who is retired will receive the choice?

Duncan Watson: That is partly what we are working through with the Cabinet Office and with Capita as well, so that we can ensure a seamless handover to Capita when they take over.

Múna Rowe: Would you like me to elaborate on that?

Q59 **Mr Betts:** Can you say when it is likely to be finalised? Obviously, if one person is still waiting out there, unhappy—

Múna Rowe: Absolutely. Because of the changeover of the administration, MyCSP is currently dealing with the 51,000 that have gone out and dealing with those returns as they come back. That work is ongoing between now and November or December.

We are currently also working up a plan for the rest of the population to be able to include timelines of when the rest of the work will get done and how, and then we will be in a position to communicate those timelines. We have said that the programme will be completed, or we are aiming for the programme to be completed, by March 2027. But what we need to do is to break it down into the various cohorts or the programmes of work because, as you said, individuals want to know when their particular case will be done. So far, we are working at a project level, but we need to break that down, once we get the plans from Capita.

Q60 **Mr Betts:** So some people will not know for nearly two years what their choices are going to be?

Múna Rowe: Yes. Some people will not have the choice implemented, but some will also start much sooner. What we do not know is who is going to be the next one soon enough.

Q61 **Mr Betts:** How do you decide who waits for two years and who gets an answer now?

Múna Rowe: It depends on the data and how that plan is constructed. We have dealt with the ones that the data has allowed for all of that to happen immediately.

Q62 **Mr Betts:** I know it is complicated, but I am confused. Which data is driving the choices about who now gets the information and who does not?

Múna Rowe: The members' data, because we need the data from the alternate scheme. What we are actually looking at is pensioner members who retired a number of years ago under a particular scheme. Now, we



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have to look at their benefits under the alternate scheme. The data under the alternate scheme may not have been with the administrator, because they did not need to hold it, if they are looking at data required to administer legacy as opposed to Alpha. Those are the things and various complexities we have to work through so that we can get as much of that—

Q63 Mr Betts: Where is the data coming from?

Múna Rowe: Sometimes it is employers. Sometimes it is just on members' records, but that is held differently. We need to go through it, because it is historical, and not everything was digitised at the right time. It is a huge exercise to either extract the data from the records and get it into the right place, or source the data from wherever it is, to be able to do it.

Q64 Mr Betts: Does that go back to Departments providing that data in a timely way again?

Fiona Ryland: Potentially. Departments provide it for some members. For some members we need to get it directly from them, and for others we need to go back into the manual records.

Q65 Mr Betts: Another two years seems a lot of time to wait. Anyway, that can be speeded up now. MyCSP is stopping work on new assessments, but Capita have not taken over yet, so it is not the contractor. Isn't there a bit of a limbo?

Cat Little: That is exactly the biggest challenge. It is not just us—it is not just the civil service pension scheme; it is all pension schemes that were affected by the McCloud judgment. As the NAO Report sets out, we are doing better than most schemes in gathering that data quickly and effectively. As Múna just described, we have to get the data, and it is only when we have the information that we are able to provide the deferred choice and underpin information to members. That is an ongoing process that we are really grappling with.

It needs dedicated, quite complex pensions expertise to do this well, because the last thing we want to do is to try to speed up this process unnecessarily quickly, which then leads to more complexity in the call centre activity and the way in which we then respond to complaints. We would much rather do this in a phased, project managed way that has the right expertise, by packaging it up over a period of time so we can get this right first time.

Q66 Chair: I will try to build on Clive's question, because this is complicated. Congratulations to you, Duncan, because you were set a service level target of delivering 43% of these statements, and you delivered 44%—which was 58,000—by 25 March '25. You have performed your part of the bargain. You have told us since then it has gone up from 44% to 51%, so that is even better.

Duncan Watson: Sorry, I think that is 51,000—



- Q67 **Chair:** It may have gone up since March, so that is what I suspect you are doing. However, Cat, paragraph 2.19 of the NAO Report says that "Cabinet Office's current ambition is to close the Remedy programme in June 2025". Did that happen? That is "with the remaining 56% of immediate choice members yet to receive their RSS to be dealt with through smaller projects." I presume that is the people up to two years, and if Duncan's figure says 51%, the remaining will be 49%.

The report says, "Cabinet Office is currently considering its options to procure a provider to complete the outstanding work". Has that process even started yet? If it has, I echo Clive's request to possibly speed this up for those who are waiting two years. Two years to put your life on hold is quite a long time.

Cat Little: Indeed. I totally agree with that sentiment; that is exactly what we are doing. We are live negotiating and trying to finalise the work packages with a provider. We are doing that as quickly as we can as part of the ongoing transition.

- Q68 **Chair:** What in the current contract limits you from holding MyCSP to account for its performance? There are a lot of things in the NAO Report where you have not been able to help. Was it the weakness of the original contract? You set these golden KPIs, but there was no sanction for not meeting them. You obviously recognised the contract was weak; you set the new criteria, but you had no means of enforcing them. Are the lessons well and truly being learned from that contract experience going into the new Capita contract?

Cat Little: Could I start? Then I might turn to Fiona to add to this. I think there are three big lessons learned, and there is a theme of technology and automation running through all of this. First, on greater commercial leverage, the way in which we set the original contract did not give us the ability to lever financial penalties, even when there were quite significant changes to service performance. That has hindered our ability to put in place some of the more extreme financial penalties that we would want to do.

Secondly, the KPIs themselves were quite narrow. We talked earlier about resourcing levels. There was nothing in the contract that said, "You must have a certain amount of resourcing within your call centre to maintain a certain level of service provision." Thirdly, on the data integrity and assurance—which is where I think technology particularly plays a part—it meant that we were not able to get all the live data in time to be able to assess performance.

There is probably one other lesson, which is on our ability to adapt quickly to Government policy changes. None of us foresaw the McCloud remedy, of course.

Chair: It was quite a one-off.

Cat Little: You would hope that sort of massive change does not happen too often, but of course if we had the data and higher levels of



automation, changing Government policy would have been much faster and easier. The big lessons for us include having really service-focused KPIs. We have made big changes, both to the KPIs and the way in which we triage them to incur financial penalties. We now have access to a live data lake with Capita, which will be an essential part of how we manage its performance. We also have inbuilt expectations about how technology and AI will be used to provide the infrastructure within the contract. Those are the big lessons, and I am confident that we have a new commercial arrangement that is adapted to those lessons learned. Fiona should add to that.

Fiona Ryland: I will build on a couple of those points. On the use of technology, in the contract now 95% of transactions need to be automated—that is a requirement. That is important because, if there are unexpected increases in demand, it is much easier to deal with that extra demand if the system is automated. That will give a better member experience. The point about the more robust KPIs and performance is absolutely right. There are 38 main KPIs. They all attract financial penalties if they are missed, and the more severe the underperformance and the longer it goes on for, the more those financial penalties ramp up. As Cat said, we have real-time data via the employer portal for the first time. Those requirements have been built into the Capita contract based on what we have learned.

Chair: We may well come back to some of that, but I will now welcome our new member, Blake Stephenson, to the Committee.

Q69 **Blake Stephenson:** Thank you. I have a question related to the panel's answers to the previous question. Recognising those three lessons learned, with hindsight could you have used financial penalties in the MyCSP contract more effectively, to get a better service for members?

Cat Little: I think the simple answer is that you want to use a combination of levers in your work with any major strategic supplier in this sort of service arrangement. Financial penalties definitely have an impact because you have more skin in the game commercially. They can also erode a supplier's ability to respond, if they are in a financial position in which they cannot deploy resources effectively. We want to use financial penalties in combination with strategic and wider Government leverage, from a commercial perspective. Capita is obviously a major strategic supplier to Government. We are able to work with it in a very different way because we have so many different contracts and relationships with it. We would rather use that fact, ahead of over-zealous use of financial penalties that could actually undermine performance. It is not the only lever, and never should be.

Q70 **Blake Stephenson:** In the NAO Report, at paragraph 1.14, two penalties are noted: in 2022, £19,355; and in 2024, £228,538. First, has the 2024 penalty been paid? Secondly, are the quanta of those penalties adequate in the context of all the challenges that we have heard, and all the poor service that members have suffered?



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Cat Little: Yes, the payment—or the service credit, as we would call it contractually—has been paid.

Q71 **Blake Stephenson:** Do you have any thoughts or comments on the quanta of those penalties, and whether they are remotely effective? I recognise the point that you made, Ms Little, about the balance between penalties and wanting things to be improved.

Fiona Ryland: I think that is what we tried to take into the Capita contracts, not only linking to the 38 KPIs, but the fact that they escalate based on the severity of the underperformance, as well as the amount of time that it goes on for, so there is a multiplying effect in the contract. I think that is really important, because if there is a blip in performance, that is not great, but you want to allow the supplier to get that back on track. Where there is stubborn, significant underperformance, it allows us to issue a more significant financial penalty.

Cat Little: Under the new contract, there is greater provision for financial penalties to increase if we are not satisfied. If the same issue had happened under the new contract, we would have had more scope to apply further financial penalties, if we thought that was appropriate.

Chair: Thank you very much, Blake. It is nice to have you on the Committee.

Q72 **Rachel Gilmour:** How confident are you that there will be a smooth transition when Capita takes over in December, and that you can guarantee members that there will be no disruption to the service?

Cat Little: That is the question at the moment, and we take it very seriously, given the level of risk and the importance of the service to our staff. It is probably worth summarising where we are. Of the 12 transition milestones that we have to the new contract, eight are currently due. Only one of those was delivered fully on time, and I should stress that each of those milestones has quite a range of different work packages that sit beneath them. For the whole milestone to be achieved, you have to have a huge amount of activity undertaken. That probably belies how much work has actually happened.

Obviously, we are disappointed that a number of those milestones were late. The main reason for that is, I think, Capita has probably underestimated some of the complexity of the transition, and the technology has taken longer to implement. In terms of what we can do about that, we are working very closely with Capita on how we quickly get a new delivery plan with realistic dates in place. By the end of July, we will have a much more realistic assessment to answer your question, if I am candid, because the fact that we are so behind on a number of these deliverables does give us quite significant cause for concern.

We have milestone payments in place, so if milestones are not reached, we are withholding transition payments, and we have quite a lot of leverage even after transition to Capita to make sure that service levels have to be in place at the SLA requirements three months after the



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transition. If not, there are quite severe penalties, so we have built in a number of things to incentivise a smooth transition, but we are at a point where the risks are high, and there is a lot more work we need to do to give you fully the confidence at this stage.

Q73 Rachel Gilmour: Would you mind writing to us at the end of July to give us an update?

Cat Little: I would be very happy to do so.

Q74 Rachel Gilmour: In more specific terms, have you any contingency plans if Capita's IT systems are not ready?

Fiona Ryland: Múna may want to add to this. We have several contingency plans. One would involve a more gradual roll-out of the Capita technology. Capita will be focusing on the technology that makes the most difference to the member service to start with, but it could be that, rather than all the technology being available for day one, there is a more gradual roll-out. There are other things we are looking at that go beyond that, which we can share with the Committee. They are probably a little bit more commercially sensitive at this stage, but we have some robust contingency plans.

Chair: I think that would be very helpful, Fiona, if you would. Mark it as confidential, sensitive or whatever, but we would like to see that.

Rachel Gilmour: Thank you, Mr Chair—that's me done.

Chair: Did you have any more questions you wanted to ask?

Rachel Gilmour: No, I think that's me done.

Q75 Chair: Right. I am going to come in on the back of Rachel's question. I am really concerned that this is déjà vu all over again, because I have been back to the NAO's Report in 2016, referring to the transition from Capita in 2014. Paragraph 2.10 of that Report on page 19 reads: "Capita missed a number of contractual targets in the period April to September 2014...The target of paying 95% of new and revised lump sums...The target of paying 95% of existing ... payments...The targets for responding to written and voicemail correspondence...The proportion of telephone calls answered (before being abandoned)". That is what happened then, and if you go to paragraph 3.6 of the recent Report, on page 30, you see that the same thing happened all over again. Capita has already missed three out of six of its milestones and has been fined £9.6 million. Exactly the same thing has happened. There was a rundown of the outgoing provider of staff not doing the job as they should have been doing in the run up to the handover, and the people receiving the contract getting into difficulties. How do we know that the situation is not going to get worse this time? We do not seem to have learned the lessons from last time.

Cat Little: We simply cannot afford for this transition not to go well. We have heard a lot in this hearing about the challenges to our staff and members and the complexity of the arrangements under way, so it simply would not be acceptable for us to transition to Capita if we were not ready.



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That is why we are making sure we learn the lessons and make changes to the way in which we transition.

I will briefly summarise how we are trying to build that in. First, I briefly mentioned the transition arrangements. We are basically saying, "If you do not deliver the SLA performance as soon as you enter into transition from December, we will impose financial penalties". I believe they are up to 10%; we can withhold quite significant amounts of funding as a financial penalty if we need to.

Secondly, we do need to have a go/no-go moment, and we are going to do that in September based on a reset plan that we are working on to be much more realistic with the milestones that are remaining. I am not going to sit here and tell you I am confident that it is going to deliver the remaining four, because at this stage we are not. We need to sit down with Capita and agree what the realistic deliverable plan is, and then in September we need to go through go/no-go. If we are not ready to make that transition, we will not make that transition. We will go to our contingency plans, which Fiona just briefly mentioned, which I am very happy to provide you with a fuller briefing on. They are extensive so that we have a number of options to fall back on so that we do not have deterioration of the service. I think that is the key thing: we cannot transfer if we are not confident.

Q76 Chair: If I were one of the 1.7 million scheme members sitting out there today, I would want to be absolutely certain that whatever happened, there would be continuity, and if I needed a CETV or anything else during the transition period, I would get one in a reasonable length of time. Can you give people any reassurance on that?

Cat Little: We will not transfer from the current arrangement if we are not ready or confident to do so. In the worst case, the scheme will continue as it is today. In the best case, it will transfer, we will get better technology in place and we will gradually make some of the improvements that we need to make. I am very happy to commit to scheme members that we are going to do everything we can to maintain current service provision. That is critical.

Chair: That is very helpful. Thank you, Cat. To examine that a little further, I call Chris Kane.

Q77 Chris Kane: The phrase, "once bitten, twice shy", comes to mind. You have been here with Capita before, and it did not go well according to the last Report, but your Department has confidence that things have changed enough to give it the new contract. Can you share with us some of the thinking that gave you the confidence, to try to give us that confidence? I suspect the Committee is a little bit sceptical at the moment, and we could do with convincing.

Fiona Ryland: I will start off, and then Múna will come in. We followed a really robust procurement process where we examined a lot of this issue. Certainly, its use of an investment in terms of the technology was something that stood out in that.



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Múna Rowe: We followed the procurement regs. In terms of Capita, I guess the issues that you described were in 2016. A lot, I believe, has happened since then as well. The documentation that we have seen throughout the tender process that had been assessed is what enabled Capita to win the contract.

We have also got experience with Capita. It administers another scheme that we manage, so we have already got a relationship with it, and we understand how it is performing there. While that Report in 2016 was not good, we understand that Capita only actually did the pensioner payroll and the deferred payroll. A lot of the administration was done by in-house teams across various Departments, so it was not a full administration business and there were lots of hand-offs at that time. In this case, now, it is a full service similar to what MyCSP are delivering. That is a bit of a difference.

Q78 **Chris Kane:** There is a cultural element of any organisation where striving for excellence is built into its DNA. Whether it has got a small contract or a big contract, that striving for excellence should be evident to you, and it should give you pause if you have evidence that it has not had it in the past.

We recently had a hearing on large infrastructure projects; one of the key lessons was that you need different skillsets at different parts of the contract. If I was being uncharitable, I could say that a lot of companies have incredibly good skillsets at the procurement stage that then fall down at the delivery stage.

How do you get the sense that you have not just been presented with a phenomenally good procurement specialist giving you what you want when you have had examples of moving to the delivery phase not working? How do you get the assurance that they can go from receiving a tender to delivery when you have evidence that it has not always worked?

Múna Rowe: One thing we were looking for that was quite important for us throughout that procurement exercise was a key focus not just on the price, but on the quality. It was very important to us. We were also looking for very high levels of automation and we needed confidence that that could happen, because a lot of the problems that we have today and in the industry are down to stretched resources within that space. Those were the things that mattered to us—who could deliver the best technology?

We have talked about the contract requiring us to be able to have access to data lake, which basically means getting access to look at all of the data that we need to be able to analyse that and generate our own report, having automated calculations and portals that members can actually use and self-serve, and all of the futuristic things that we need to move towards.

That is what gives us confidence that, regardless of all the intentions that any administrator would have, if you are faced with an industry that is struggling for resources, they can look at the problem differently. That is

what we were doing to be able to get comfortable with that, and these are all the requirements that we have actually built into the contract.

Cat Little: I would add, to answer your specific question, there is a very well-understood cycle of how we go from procurement to contract management oversight and then into end of contract transition. Within our commercial functions, that is obviously a big part of how we are taking forward the professionalisation of contract management in Government. Within the Cabinet Office, we have a contract management team, which is of a reasonably significant size. It has around 60 FTEs who oversee these outsourced pension scheme arrangements.

As Múna alluded to, we also oversee the Royal Mail pension scheme, which is subcontracted to Capita as well, so it is the same team overseeing delivery, making sure that we have got live data, that we are responding actively and that we are sitting on the relationship boards and working very closely with these contractors to make sure that they are delivering what we have asked them to deliver, so I think we really do understand it.

That not to say that we are not always trying to improve, because as the Committee knows better than any other, we are learning lessons all the time about our contract management services. However, I am fairly confident we have got a good team with the right expertise and the right capacity to do this.

Q79 Chris Kane: Just to help me understand this, I have one last question on the size of the market. If you are going from provider A and then 10 years later to provider B, and you keep going on a merry-go-round of providers, can you talk to me about the size of the market itself? If it is too small, given that you have 10 years of a contract coming up, what will you do to make sure that you have more and better options available to you, particularly when you have time to think about how you can use the might of the Government's resources to influence that?

Cat Little: We were talking about that just earlier today, because that is exactly the question that we are currently working on. We should be realistic: this is quite a small market and there are not many outsourced providers within it. Capita is one that is investing heavily in it. They see it as a growth market. We need to look at the shape of that market—at whether there are new entrants that are interested and to what extent we have resilience. The Government and public sector have a number of these pension schemes all going through the McCloud remedy, so we cannot afford not to have a resilient market. I do not have all the answers yet, but I would be happy to share with you where we get to in our thinking about this. It is a live question.

Q80 Chris Kane: It is a timescale thing for us as well. When can we expect to see some activity around this? Is it in five years' time? One year? At what point do you start to put action to the concept of "We need to do something here" so that this Committee can start to see things eight years out, rather than two years out when it is problematic?



Fiona Ryland: It is a good question; I am not sure that we have a particular timeline in place. We also need to balance starting soon: if we want to restructure anything that we are doing in order to create different opportunities, we need to start that now. The other thing is the impact of technology. I think we start the thinking now, but we also need to look at innovation—whether there are any new players in the market and how technology impacts this sector.

Q81 **Chris Kane:** That is a wait-and-see question. At some point, you will have to say, “We cannot wait any longer. We have to go.” Can we park technology for a minute? I assume that you have a certain amount of time to see what happens with technology, but then you will just have to act. Otherwise, you will not be ready ahead of the end of the 10 years. How long do you think you have to sit and watch what happens with technology?

Cat Little: It is broadly halfway through the contract. You want to give the technology enough time to live and breathe. Let's face it: the pace at which tech and AI is advancing in the high-volume transaction, complex space is just phenomenal. I cannot quite predict what that will look like next year, let alone in five years' time. But it is around halfway through the contract—we would be expecting to work out the next strategy for transition and where we go next.

Q82 **Chair:** I am really pleased that you say you cannot predict what it will look like, because I have described this as a tsunami that is going to hit everybody, but particularly the public sector, in the next five years.

Fiona or Múna, I have a couple of questions. First, on digital, paragraph 3.14 of the Report says that one of the main problems with MyCSP is that it did not enact a “Track My Case” digital solution. The Home Office tried to encourage it to do that, but it did not. This is about being able to track your query and how long it will take to be resolved. Is that built into the Capita contract?

Múna Rowe *indicated assent.*

Chair: It is; okay. Without asking specifically when it will come into operation, we know from the NAO Report that Capita is behind with its digital programme, because you have offered it a simpler solution to get it into operation on 1 December 2025, with a more complex solution, presumably including “Track My Case”, by 2026. How confident are you that you will get the full IT solution needed to deal with these cases in the way that they need to be dealt with by 2026?

Múna Rowe: At present, I am quietly confident. I certainly have not had any cause, other than the initial delays, to believe that that is not the case. It is the infrastructure that Capita is building. What has been promised for December is on track, and there is only a small amount of that—“Track My Case” may be on there, because we needed to prioritise what we absolutely must have to be able to go live in December. Anything that is still a contractual deliverable—all the things we are talking about are written into the contract, so we will get them—will follow by March '26.



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Fiona Ryland: As Cat said, we are working with Capita during July to replan the transition. At the moment, all the functionality will be in by March '26, but we need to finish the replanning exercise.

Cat Little: I suggest that we give you an update when we write to you. The best way to test this is to see it. If we can see a prototype for this technology, I will feel much more confident answering your question candidly.

Q83 Chair: I am sure we will wish to return to some of this anyway. Chris's point about building the market is a critically important one. Cat, I have been mulling over whether I would ask you the next question. It is a sensitive question. We are told that the teachers' pension scheme—which is a bigger one than this at 2.2 million members, compared to 1.7 million—has just retendered and is moving away from Capita. We are also told that Capita is facing some legal action at the moment regarding that teachers' pension scheme. I know Capita as a firm. It looks after the Fire Service College in my constituency. It is a big firm and does a lot of this sort of provision. Given what I referred to about what happened before when Capita ran the scheme, are you absolutely confident that it is going to be able to do this in line with your ambitions to make this the best pension scheme in the public sector?

Cat Little: That has got to be our joint endeavour. It is important that it is a joint endeavour; it is a mutual responsibility to make sure that that is the case. I cannot comment specifically on the teachers' pension scheme. Capita is one of our biggest strategic suppliers in Government. We have a dedicated supplier programme based in the Cabinet Office working with them. We also have a Crown representative. All of that intelligence and strategic join-up across Government are designed to make sure that we use every single lever to succeed on Government priorities. I can only say that we will use that strategic set of relationships and of all the levers we have to be as confident as we can.

Chair: That is a very candid answer. Thank you. I have no doubt that the Committee will want to come back to that.

Q84 Sarah Green: Cat, coming back to the contract with Capita, you have already mentioned the ability to levy fines, service level KPIs and the live data link. What assurance can you give the Committee that you have the levers you need in that contract to hold it to account for its performance going forward?

Cat Little: Múna and Fiona should add to this, but it is a big combination of things. It is the big relationship that Government have. It is making sure that we have effectively learnt lessons within the processes, contract, relationships, contract management, governance and oversight. It is also making sure that we pull those levers as quickly as possible at the first sign of an issue. It is very hard to add up that magic combination of everything that gives you complete confidence. We are trying to learn every single lesson that we can from other contracts and supplier relationships. You should say a bit more about the detail, Fiona.



Fiona Ryland: For me, the two big things are the contractual requirement to automate the services, which is key to maintaining a good service for members, and the KPIs that attract service credits or financial penalties. It is also the fact that those ramp up with more serious underperformance, in particular, over an extended period of underperformance. As Cat said, it is not just about those hard levers; it is also about the relationship that we build with Capita, and if there are any challenges, which I am sure there will be going forward, we work on those together.

Q85 **Sarah Green:** Earlier on, you mentioned triage, which I did not quite follow. What is that? How does that work in practice?

Cat Little: It was me who mentioned that. I was alluding to the three layers of severity.

Fiona Ryland: Each of those 38 KPIs has a service level or level of underperformance, which is minor, serious or severe. That is what I was talking about ramping up. The service credits are more for severe rather than minor underperformance. Then there is also a multiplier for the time, the consecutive months, of that underperformance.

Q86 **Sarah Green:** So you do not wait until things have a big red flashing light on the dashboard?

Fiona Ryland: No.

Q87 **Sarah Green:** You intend to intervene earlier?

Fiona Ryland: Yes.

Q88 **Sarah Green:** I have a question about whether MyCSP has paid the fines levied on it and how that will work in practice for Capita going forward.

Fiona Ryland: MyCSP has.

Múna Rowe: I did not catch the last bit of the question.

Q89 **Sarah Green:** I just wanted to be clear that the fines that have been levied to date to the existing contract holder had been paid and to be clear about how that will work for the Capita contract going forward.

Cat Little: Just in summary, there are two separate things. There are the transition arrangements that we have got in place to move from this contract to the new contract, which I am sure Múna will explain have payment upon delivery of milestones. Then there is the business-as-usual contract, which has the penalties as service credits within the contract. They are triggered by the level of severity of the issues encountered. There are two different ways: we can either withhold payment in this transition period, or we can attract a service credit in the new business-as-usual contract.

Múna Rowe: That is right, and as Fiona has explained, it is in these things. The other thing that we have done is look at some of the issues that we have discussed with regard to the call centre performance and with regard to retirements. We have looked at which of those service



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levels have KPIs now or do not have KPIs, and therefore did not attract financial penalties, and therefore we did not have as much commercial leverage as we would have liked. We have made those key KPIs in the new contract. The call centre is now a key KPI, and all of the retirements and some of these things that are important to our members for the services. We did a whole review of everything.

As Duncan said, the KPIs are quite high. They were 99.5%; if you do not hit that, you fail. Now they are 100% and if you do not hit that, you fail. It does go to minor and you get a service point almost straight away, unless you resolve that problem within a tail fail period, as we call it. But if you do not, then service points start to accrue straight away.

Q90 **Sarah Green:** Did you say there were 38 new KPIs? Are any of them brand-new? Are any of them ones that your work to date has made you go, "Actually, we need to be monitoring this much more closely"?

Fiona Ryland: The call waiting time, I would probably pick out.

Sarah Green: Okay, brilliant. Thank you.

Q91 **Chris Kane:** I want to ask about staffing. However, can I just quickly go back and close off something on digital from before? Given the pace of change, Cat, and given everything that is going on, how confident are you that you have the right skills to oversee this contract, and contracts in general, and to tell the difference between digital incompetence and digital innovation if there is a delay to the timescale that you are expecting to see when it comes to delivering digital solutions?

Cat Little: That is a very good question. I do not actually know the detailed answer, in terms of how our contract management team—

Múna Rowe: With regard to continuous—?

Cat Little: Digital maturity and skills?

Q92 **Chris Kane:** If there is somebody saying, "We haven't yet delivered this app," or this whatever, "because we think there's an AI thing just around the corner," that could be someone who is completely on top of their game who is saying, quite reasonably, "Give me another eight weeks; you are going to get something better." But it could also be somebody who is completely out of their depth and does not know what is happening. With one, obviously, you have got a great solution; with the other, you just get a further delay. But having someone who can monitor the KPIs and understand the difference is going to be key going forward.

Múna Rowe: Yes, absolutely. I think one of the fortunate elements of where we are in terms of managing this contract is that we have a number of really skilled people around us. We link in very closely with Cabinet Office Digital. There is also a requirement for them to be comfortable with anything that is happening within our contracts, and they sign those off.

As part of our governance forums going forward, when we are monitoring the contract and looking at the innovation forum and the continuous



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improvement plans that Capita is bringing, alongside what is being proposed, then we will engage those specialist skills, to be able to perform those assessments as well.

Q93 **Chair:** Sorry to interrupt, Chris. Will you be setting them milestones, so that we can see whether they are meeting certain criteria by a certain stage?

Múna Rowe: With regard to digital, there will be a requirement to have a continuous improvement plan every year. That will need to be signed off by us, and if we decide to go with something, then it would be good practice for us to be building in milestones.

Q94 **Chair:** Will that continuous improvement plan be in the public domain or not?

Múna Rowe: Will the information be in the public domain?

Chair: Yes.

Múna Rowe: I would have to come back to you on that.

Q95 **Chair:** You are being helpful, Múna; don't get me wrong. Cat, could you include in your note to the Committee exactly how this analysis of digital improvements works? It is so critical, for the reasons that Chris has so succinctly put across, to the whole success of this project and this digital work—it really is.

Cat Little: Of course, I would be happy to.

Q96 **Chris Kane:** I was going to ask a question about staffing. In paragraph 3.10 of the NAO Report it says: "The contract with MyCSP does not specify a minimum staffing level, and MyCSP has struggled to maintain sufficient staffing levels since Cabinet Office's decision to award the...contract to Capita. Cabinet Office's contract with Capita specifies that there should be sufficient resources to deliver services at all times. Capita has profiled its expected resourcing levels over the lifetime of the contract, and in year one expects to need 332 staff, 33 fewer than MyCSP's core staffing level for January".

Cat and Fiona, what assurance can you give us that Capita will deliver a better service for members than MyCSP, despite planning for fewer staff in the first year?

Fiona Ryland: I think that is a recognition of the amount of automation and technology that will be deployed in the Capita contract. We will need to look at that as part of the reset plan. If some of that technology is delayed, we will need to see a replanned resource level. The important thing here is that we measure the outcomes that Capita achieves, including the call waiting times, things being sent out in a timely way, and accuracy. That is a way of measuring its performance. That resource plan is a reflection of the amount of technology and automation that will be implemented in the new contract.

Q97 **Chris Kane:** What did you do to test Capita's assumption that it could do



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this with fewer people, based on automation and technology?

Múna Rowe: That was all picked up as part of the contract. Fiona is absolutely right; those numbers were Capita's assessment of what it would need—assuming it would hit the automation targets that we set it, such as 95% of all transactions being automated. Those were the plans that it came up with, understanding the lead times and how it would do the extra 5%. As Fiona mentioned, now we know that not all the calculations will be automated, part of what we are doing with Capita is reprofiling the resources to say, "If you will not hit 95% and you will hit 85%, for instance, you need more resources to do some more of this work". That is part of what we are going through now.

Q98 **Chris Kane:** In specific relation to staffing, we are in a digital transition, but we have not transitioned to the digital world yet, so we can still rely on staff to provide a certain service level in a way that we hope we can rely on technology for in the future. The one thing I would imagine you can do is put in what you think is a reasonable staff number to deliver the services, so if Capita turns out to be wrong, you have the contractual ability to say, "No, I need to see more staff in there in the short term".

Fiona Ryland: Yes.

Cat Little indicated assent.

Q99 **Chair:** I would be worried if I were you sitting there, knowing that you already allowed Capita to have a simplified digital contract when it starts in December this year. It is starting on the premises of reduced staff, and inevitably there will be more manual processes until the digital is fully up to speed. It does not sound like a great way to start.

Múna Rowe: What we are talking about is the fully automated workflow rather than automated calculations. All the pro formas, the specifications and the testing will be done with regards to the calculations. There is never an occasion where we are talking about a manual calculation; calculations are built into the actual workflow end-to-end. That gives us some comfort that what we are talking about is not skilled resources to be able to do the calculations; it is about feeding them through the workflow.

Chair: Exactly. It is not the calculation that is the difficult bit; it is the actual workflow, and particularly the difficult cases. I would be concerned about that, and I would ask you to think about it.

Q100 **Chris Kane:** Just to finish that concern off—going right back to what we talked about with trade union recognition at the beginning—if you have fewer people being asked to do more, one thing that will happen is that people can be overworked and stressed, and working conditions can go down. It is even more important that we get an understanding of the question we asked right at the beginning: will Capita have union recognition in the right way? Will you be alive to the possibility that if it cannot do automation, it will try to overwork staff? We want to avoid that at all costs.

Cat Little: indicated assent.



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Múna Rowe: *indicated assent.*

Fiona Ryland: *indicated assent.*

Q101 **Mr Betts:** How far do you take account of the past performance of companies on other contracts or the same contract when going out to tender?

Cat Little: We do. It is part of the procurement process, especially if there is a similar contract or one that is analogous to the contract that we are letting. It is part of the procurement background checks that we undertake.

Q102 **Mr Betts:** So when I look at Capita's past performance, do I see success all over the place, which you looked at before you decided to put it on the tender list for this contract?

Múna Rowe: With regard to some of the very large firms that we are talking about—Capita plc—we would have looked both at Capita as the plc, but also at Capita's pensions business, and if there is something that we need to dig into and investigate further, then we would be looking for further evidence, too; but there is a threshold that needs to be met for all bidders to be able to get through each stage.

Cat Little: I think all I can say is that it was absolutely part of the procurement process, at both global and local business level, and that would have been taken into account in the way that we undertook the scoring. I would need to check how much commercial detail we can give you about the assessment retrospectively, if that is okay, before we provide any more detail.

Chair: Yes, of course.

Q103 **Mr Betts:** It would be helpful to have some, because currently, as I understand it, Capita is involved in legal action because of its failures on the teachers' pension scheme, where it has not been giving people their transfer values, or it has been a real struggle to get them, which is obviously causing quite a lot of personal distress to some people.

Cat Little: As I said to the Chair, I cannot comment specifically on that matter. I am not sure how the timing of when this procurement was undertaken coincides with the issues that are currently being experienced in the teachers' pension scheme, but I am very much committed to going away and seeing what I can do to answer those questions within the bounds of commercial confidentiality.

Q104 **Mr Betts:** Aside from the legal action, though, the actual number of people waiting for the transfer values has been around for some time, as I understand it, so that information should have been available when you went out to tender on this contract, shouldn't it?

Cat Little: If the timing coincided, yes; but I think we will need to go back and check.

Q105 **Mr Betts:** It would be helpful to have an answer, because it just looks as



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though there is no penalty for failure—a firm fails, the contract goes to someone else and they fail, but then eventually that firm is appointed again.

Múna Rowe: Just to add to that a little bit, but not giving away any confidentiality, in terms of the timelines that you referred to, if we were aware—which I am not sure we were—of any delays with CETVs at the time, and if the timeline and the circumstances of those delays related to factors and suspended CETVs across Government, then everybody would have had that. So I guess that the passage of time and how it is recovered is what we would not have been aware of, because at the time it would have been quite current, rather than significantly delayed, at the time we were going out to tender.

Q106 **Mr Betts:** It would be helpful to have that information about what was going on with Capita and the teachers' pension, what you knew about it, and how far you took into account.

Cat Little: Happy to do that.

Q107 **Chair:** It may be, Cat, that we should follow other examples of confidential briefings. We had one the other day with another Department about something that was very sensitive, and this Committee—so far—has never leaked. That is a mechanism that can be useful and could reassure members of the Committee.

Cat Little: I think it would be helpful to talk about it rather than having quite complicated correspondence.

Chair: I agree.

Q108 **Mr Betts:** You have already indicated that you are having a look at the market availability of providers of these complicated services. What consideration did you give to actually bringing the work in-house?

Cat Little: That is always a consideration when we do the business case appraisals for these sorts of investment decisions; we will always look at insourcing. It tends to be generally more expensive, because of the transition costs, the transfer arrangements and the on-costs of joining into the civil service, but not always. But it is always a consideration that we take into account.

Q109 **Mr Betts:** But there are transfer costs in going to another private company, aren't there? So what is the difference?

Cat Little: Sorry, I was giving examples; those are not specifics. The most important thing is that we would always look at insourcing as an option with a contract of this scale.

Q110 **Mr Betts:** Right. Do you just look at costs, then, or—

Cat Little: It would be much more than cost, obviously; it would be service performance, Government ability to control priority—there is a whole range of factors, in line with value for money and Government priorities.

Q111 **Mr Betts:** When was the last time that you did a procurement exercise and recommended bringing it back in-house?

Cat Little: We have done that quite a lot, recently. We have obviously done that within the MOJ, with the community rehabilitation companies; when we looked at outsourced probation, we brought it back in, and that was a major insourcing. We have also just done it within the Ministry of Defence, with AWE, and regarding Capita and the DIO as well. So it does happen, and probably more often than you might appreciate. Obviously, we also have an example of railways coming in-house, with I think the Southeastern rail franchise recently.

Chair: That is very interesting. Are there any further questions from colleagues? If not, it remains for me to thank our witnesses for attending the Committee today. It has been a very interesting session. I think there are still some things that we would like to examine further, but we have been over the whole scene today. Thank you all very much for coming today. An uncorrected transcript of this hearing will be published on the Committee's website in the coming days. The Committee will consider carefully the evidence that you have provided, and will be producing a report, no doubt with recommendations, in due course.