

Public Accounts Committee

Oral evidence: [Civil service pensions](#), HC 888

Thursday 12 February 2026

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Members present: Sir Geoffrey Clifton-Brown (Chair); Mr Clive Betts; Anna Dixon; Sarah Olney; Matt Turmaine.

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

Questions 112 - 207

Witnesses

[I](#): Richard Holroyd, Chief Executive Officer, Capita Public Services, and Chris Clements, Managing Director, Capita Public Services.

Report by the Comptroller and Auditor General
Investigation into the administration of the Civil Service
Pension Scheme (HC 951, Session 2024-25)

Examination of witnesses

Witnesses: Richard Holroyd and Chris Clements.

Q112 **Chair:** Welcome back to the Public Accounts Committee. We now move into our second session, which is on the administration of the civil service pensions scheme. Last October, our Committee published a report on Capita's planned takeover of the administration of the civil service pensions scheme from MyCSP, overseen by the Cabinet Office. In our report, the Committee warned that there was a clear risk that Capita would not be ready to take over the administration as planned, and our predictions, sadly, have become a reality.

Over the past few months, we have heard heartbreaking stories of the hardship suffered by current and former civil servants since Capita's takeover of the scheme. Many of those people have been left without any income, and departments are scrambling to organise hardship loans to help those affected. Reaching retirement is a significant milestone in anyone's life, but instead, that time has become marred by stress and anxiety for many current and former civil servants who dedicated their careers to public service across the country. After this poor start, we sincerely hope that the Cabinet Office will be able to work with Capita to resolve some of these problems. Today we will be questioning representatives from Capita on what has gone wrong and what they are going to do to put it right. Richard Holroyd and Chris Clements, could you please introduce yourselves for the record?

Richard Holroyd: Good morning. My name is Richard Holroyd, and I am the chief executive of Capita's public service division. I have been at Capita for five years. Prior to that I worked in utilities, and for 22 years prior to that I was a soldier.

Chris Clements: Hi, I'm Chris Clements. I am the managing director of Capita Pension Solutions. I run our pensions business, which looks after 7.5 million pensioners across 250 pension schemes from both the public and private sector.

Q113 **Chair:** Thank you both very much. I will start by citing two very sad cases, I am afraid. As I said in my opening remarks, the current problems with the administration of the civil service pensions scheme have impacted thousands of dedicated and hard-working civil servants up and down the country. That includes people working in this House and this building—I learned of a tragic case this morning concerning a House servant who



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suffered difficulties and hardship when trying to access their pension, which marred the final months of their life.

More in the public domain, there is the case of 27-year-old Caoimhe Jennings. She is a former employee of the HMRC who has terminal cancer and now has months to live. From December last year she had been tracing Capita for her ill-health retirement pension; it was paid almost immediately after her MP, Gregory Campbell, quite rightly raised her case in PMQs. Capita phoned Caoimhe 20 minutes after Mr Campbell's intervention. Did you only contact Caoimhe because of the deep embarrassment brought upon you by Mr Campbell?

Richard Holroyd: If I may, I am going to start with an apology. This service is not meeting, in any sense, the service that Capita seeks to deliver or that the pensioners and members of the scheme deserve. We absolutely recognise that, not least because of these cases, and my colleague will give you the details on that in a moment. We are really aware of the hardship that some members of the scheme are going through. We are also aware, as you identified, that this a major life milestone, which needs to be managed correctly and without fault.

We inherited a scheme that was in need of reform, and we have inherited a huge backlog of some 86,000 cases and some 16,000 unread emails. Some of the cases that you will raise today were in that backlog of 16,000 emails. We are aware of 12,000 members on 1 December who were due a payment and had not been put on the system for payment, and we have inherited some 20 million lines of corrupt data. We have inherited a service that is in distress. We absolutely recognise that it is our problem to solve, and we are absolutely committed to solving it. I will pass to Chris to go through some details.

Q114 **Chair:** Before you do, I am sure that civil service pensioners will welcome that apology. The purpose of this hearing is to not only dissect what has gone wrong but to understand how quickly all these problems can be put right, because we do not want people out there suffering.

Richard Holroyd: That is absolutely our priority. We now own this problem. It is ours to fix—at pace—in partnership with the Cabinet Office, which is supporting us through this process.

Chris Clements: Can I also take the opportunity to apologise to every single member who has had to wait longer than is acceptable? When you are dealing with your pension scheme, you are almost always doing so at a point of incredibly high emotional stress, whether you are considering retirement, at retirement, or there is death in service or bereavement. We at Capita Pension Solutions have highly trained staff to deal with that and processes designed to deal with those cases.

In the particular case you raise, before the transition, a quote had been conducted by our predecessor, but there was no case open. It was not among the 86,000 cases. However, there was an unread email—one of the 16,000 unread emails—pertaining to that case. Before PMQs, we had been notified of the case by the Cabinet Office. We had identified that there was

no case, and had begun to open a case that should have been there on inheritance. As soon as we had the documents and could follow the scheme rules, we made the payment as fast as possible.

We have a joint plan with the Cabinet Office. We have agreed to prioritise the cases that have the most potential for member detriment, and to ensure that they get the correct amount of money at the correct time and in the correct way. The problem is the fact that the 12,000 people who were already owed money on the day of transition often did not have the paperwork or cases properly open, combined with the data errors. We are working jointly with the Cabinet Office to go through every one of those cases to make sure we understand what payment should be made and to make it as fast as possible.

Q115 Chair: It seems to me that that is probably your biggest priority. If there are cases out there that you do not have records of, you don't know what hardship there is, and we certainly do not want to cause people extreme hardship in those, as you say, transitional moments in their lives. The real question, if you don't mind, is: when do you think you will get to the bottom of these 12,000 cases and be in a reasonable position to be able to say that you have records for everybody in the scheme?

Chris Clements: For the people who are outstanding, the majority have had a quote or we are aware of them. In the most distressing cases, which are the death-in-service cases, ill-health retirement cases and retirement with a quote, we have worked with the Cabinet Office so that every one of those members will receive either their lump sum or their payment by the end of February. In the meantime, they are able to get a hardship loan from their department. Once we have done that, we will take those people who should be in receipt of a recurring retirement payment, and it will take us another period of time to get all those people into their normal receipt of payment.

Q116 Chair: This comes to the basis of the question really: if the people are not on your system and you have not got to the end of those 12,000 emails, you can take all the action you like, but you will not know that they are there. How are you really going to get to the bottom of it, so that you will know about everybody who is entitled to either a lump sum or a pension payment from the scheme?

Chris Clements: On the 16,000 emails, Cabinet Office resources have been provided. They are reading those emails at the moment, and by 28 February, they will have read every single one of them. Any emails that then trigger a creation of a new case will create that case.

We are working with the Cabinet Office taskforce to talk to every HRD in every employer to check that the death-in-service cases and ill-health retirements that we have tally with what they think should be there. We are then putting all of that back into the plan, which we are then working with to be held against on the burn-down of those cases to ensure that everyone gets their money.



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I would also add that before we took over, we identified the workforce that the predecessor had, went through a normal TUPE consultation and brought over 350 staff from the previous administrator, but we had already identified that that would not be enough to provide the service that members should expect, so we recruited an additional 180 people for day one.

We then realised that the work in progress that we had inherited not just was work in progress, but included incredibly old cases, as you have seen from many examples in the press. Therefore, Capita surged an additional 130 people into the operation and worked with the Cabinet Office for them to provide another 150. Today, we have nearly 750 people working on it, as opposed to the around 400 who were there before transition.

Chair: Thank you. That is a really helpful introduction.

Q117 **Mr Betts:** I am sure that we are going to follow up on quite a lot of those issues in more detail. When did you realise that these unread emails existed?

Chris Clements: We were aware before transition that there were some emails, but we did not see the emails or the quantity of them until the data was migrated to us on transition.

Richard Holroyd: Which was 1 December.

Q118 **Mr Betts:** So 1 December—you had all the emails then.

Chris Clements: We received a bulk download from the previous administrator.

Mr Betts: On 1 December.

Chris Clements: Yes.

Richard Holroyd: That was the go-live date, so it was at go-live.

Q119 **Mr Betts:** And 10 weeks later, you still have not read them all.

Chris Clements: We received the data and have been unpacking it. We have been identifying the highest priority cases and working through them with the resources available. We have worked with the Cabinet Office on what the priorities are, and how we can get through all the cases in as fast a time as possible.

Q120 **Mr Betts:** It is a simple question. Ten weeks after you got the data, you have still not read all the unread emails.

Richard Holroyd: That is true. It has taken some time, as you will appreciate. Once we discovered exactly the size of the backlog and exactly the number of issues, we had to mobilise to find people, train them and get them on to the systems.

Q121 **Mr Betts:** You had no knowledge of these emails before 1 December.

Chris Clements: We knew that emails existed, but not the quantity or content.

Richard Holroyd: It is unheard of to receive that many unread emails.

Q122 **Mr Betts:** How many did you think there were, if you knew there were some?

Chris Clements: We knew that there were mailboxes with unread emails, but we did not know how many were there.

Q123 **Mr Betts:** You did not ask questions before then.

Chris Clements: We did ask questions. We asked questions about the information we would receive—both the emails and the data—and we had tested the data and the data migrations, but we had not seen the actual emails.

Richard Holroyd: On the transition of any contract, you always have a work-in-progress backlog—that is exactly as you would anticipate—because the service has to run up to the day that we take over. We would normally anticipate an unread email backlog of about 200; that would be reasonable, because the service was running.

Q124 **Mr Betts:** You anticipated, but did you ask questions?

Richard Holroyd: We did ask questions.

Q125 **Mr Betts:** What answers did you get?

Chris Clements: We did ask questions and we went through mock data loads, but the open-case element and the emails did not come across until the final transition.

Q126 **Mr Betts:** But you knew there were unread emails.

Chris Clements: We did.

Q127 **Mr Betts:** And you did not ask questions about how many beforehand.

Chris Clements: We did ask questions about how much.

Q128 **Mr Betts:** What answer did you get?

Chris Clements: We will have to write to you with that exact answer.

Richard Holroyd: As you can tell, we did not get the answer that there were 16,000 unread emails, because we would have immediately started to reinforce the work staff beforehand. We cannot, sitting here now, tell you precisely what number of emails we were told.

Q129 **Mr Betts:** It would be helpful to have that answer to understand it. On 7 July, you wrote to the Committee to say: "All business processes will be operational by this date"—1 December—"and members will receive an improved operational service thereafter." You might have said that things changed since July, but on 25 November, you basically reiterated that commitment, saying: "the changes we implement will significantly



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enhance pension administration services for members.” If you knew that there were missing or unread emails around of any significant quantity by then—that is just less than a week before you took over—should you have been making those promises and commitments?

Chris Clements: On 1 December, we stood up a service that was able to process all the case types and transactions. We were expecting to receive a workload that was the normal first in, first out process of any back-office operation. When we were live and had received the actual data, we realised that the amount and the age of them was much greater than we had expected. As soon as we had identified that, we began to work on accelerating our plans to deal with that.

Richard Holroyd: I just want to underline that all the functionality that we committed to went live. The machinery was there. Our predecessors were taking about 1,300 calls a day. From 1 December, we immediately started receiving 5,000 calls. It became clear to us that there was a huge backlog—a huge pent-up demand for people who were expecting answers. The commitment we made on 25 November was made in good faith—of taking over an operation that was in normal run form. We were asking questions about confirmation of the size of the backlog and of the numbers of open cases. As you can tell, we did not receive an answer that said how many there were and at what size. If we had, we would already have started, first, raising flags and, secondly, recruiting to reinforce.

Q130 **Mr Betts:** We might explore later not merely what you knew but what you should have known before this process began. You made commitments to the Committee on 25 November that you could not possibly keep, could you?

Richard Holroyd: In hindsight, with the knowledge that we had on 25 November, we made those in absolutely good faith—that the functionality would be there and that we would be able to operate a service. There is increased capability—applications of things that will flow over the next few weeks, in line with the plan that we committed to with the Cabinet Office, which allows more self-service. What we committed to, and what we delivered, was an operating process, but the backlog overwhelmed us. We believe that our predecessors were saying, “Call back on 1 December and ask the new service.” We got people calling on 1 December asking the new service. At that point, we were overwhelmed. We are very grateful to the MPs for raising the casework, because that has helped us prioritise those things in the backlog that you cannot immediately see.

Mr Betts: We will come on to that. As MPs, of course we take up issues on behalf of our constituents, but we are not a substitute for a proper system.

Richard Holroyd: Absolutely not.

Mr Betts: I think we will come on to explore what Capita should have known in the two-year period in due course.

Q131 **Chair:** While it is so current, I would like to understand a little bit more about what you should have known and what you did about it. Let us go



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back a bit. You tendered for this contract in 2023. You must have done some considerable due diligence before you tendered, because otherwise you would not know how much it was going to cost you. As a firm, Capita has had considerable experience with other pension schemes, so you know a little bit about managing big public sector pension schemes. Presumably, after 2023, you were constantly in touch with both the Cabinet Office and MyCSP about their workloads, so you should have been tracking, on a constant basis, how many emails were coming in, how many calls they received, how many people were not getting their death-in-service benefits, their statements and so on and so forth. So surely it should not have come as a surprise to you on 1 December, when you took it over, that there was this huge, outstanding backlog because you should have been involved with MyCSP. You have known what backlog was out there.

Chris Clements: We did work with MyCSP, as the incumbent, and with the Cabinet Office for the implementation period to understand the service, and we stood up all the processes and technology required to provide the service. We did receive data on the number and type of open cases, and some analysis, but none of it was ever conclusive, nor did it ever show us the true entire picture. On day one we assumed that we would receive the normal work in progress, which is the most pressing cases.

Q132 **Chair:** You have said that several times, but you presumably asked questions. You must have had doubts, in your own mind, that you were getting satisfactory answers. Presumably there is a written trail of all the questions that you had answered. Are you saying that you were, in effect, lied to about the backlog, or did you not ask the right questions?

Chris Clements: We were surprised at the exact nature of the backlog on go-live.

Q133 **Chair:** Okay, let me stop you there. You were surprised; I get that, but why were you surprised? Were you lied to about the information that you had been given, or did you not ask the right questions?

Chris Clements: Throughout the transition period, we asked for more and more details about the situation.

Richard Holroyd: We asked about, and made it clear that we were concerned about, the level of the backlog because we could tell that it might not be as we were anticipating. It is not for me to say the veracity of the answers but what is apparent to us—it became apparent to us at go-live—is that the information we were given was not the whole picture.

Q134 **Chair:** The proof of the pudding for the statement will be in the written correspondence that you have. Presumably you will have to produce that to the Cabinet Office because otherwise they will hold you accountable for that.

Richard Holroyd: We are in those conversations with the Cabinet Office right now. We are being completely transparent about where we are. We have a taskforce led by the second PUS from HMRC working with us.



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Chair: We will come on to that.

Richard Holroyd: We have been completely transparent about everything we received.

Q135 **Chair:** I want to stick to the topic of what you knew because it is so important, particularly to the scheme members who are not getting the service that they want. The go-live date was put back from September to November to December so somebody—you, the Cabinet Office or both of you—must have had an idea that there was an emerging problem. Why did you agree to take it over on 1 December if there were all these unknowns that you did not know?

Chris Clements: The 1st of December was always the planned go-live date. You can see that we understood that we needed to provide a better service; that was why we recruited 180 additional people before go-live. We understood that we needed to provide a better service, and to increase the staff. The scale of the issue is what we did not understand. When I say “scale”, I mean its complexity due to the age of the cases and the way that they needed to be worked. I would have taken exactly the same steps then as we have now; I just would have done them sooner. The surge staff and the taskforce that we are running at the moment are the correct steps to resolve this; the only regret I have is that we should have done them sooner.

Q136 **Chair:** After this hearing, we are probably going to ask the Cabinet Office for some of the written information, in confidence if necessary. I can understand that it may well be commercially in confidence, but I think we are going to want to see what exactly you asked them and what replies you got, to see whether you were given the correct information or not. I think it is really important that we know that.

You said earlier, Richard, that you inherited a backlog of 90,000 cases. What does it stand at today?

Richard Holroyd: I am going to turn to my friend who has all the details.

Chris Clements: We now have around 120,000 open cases.

Q137 **Chair:** So it has got worse. Since you took it over, it has gone from 90,000 cases to 120,000 cases.

Chris Clements: I think the nature of the cases is very different. In any back-office operation, there are normal cases working through the system. For instance, today, 600 changes of address are working through the system. When we took over, we expected the 59,000 to 60,000 cases to be of that normal work-in-progress nature. We discovered that they were not first in, first out over the last four or five weeks; they were months and sometimes years old. It was that nature that surprised us. The new work in progress that has since been created is the normal work in progress that any back office has as they work through their cases.

Any back-office operation has a speed to competency where you bed in, improve and increase the speed of your throughput. We are going through

that normal speed to competency, which was in the original plan. There is always a short period of time where you get faster and faster, and we are going through that continuous improvement at the moment.

Q138 **Chair:** When do you expect that to stabilise so that you can start to make inroads to get the cases down to an acceptable level?

Chris Clements: The joint plan that we have with the Cabinet Office is to take the six key processes—the four member-facing processes and the two voluntary exit scheme processes—because they have the most potential harm for members and the most potential hardship. We are getting those cases burnt down. We are working to ensure that all the most serious cases have had some money by the end of February and that all those cases return to a normal service level by the end of March.

Q139 **Chair:** How many people are waiting for you to provide information on their pensions to help them make important life decisions?

Chris Clements: Almost all the 90,000 cases that we inherited were waiting for an important piece of information or to be set up in payment.

Q140 **Anna Dixon:** As we have said, even before the transition many MPs were well aware of the problems that people who have worked in public service their whole lives were finding with MyCSP. There was a promise that things would get better, yet things have got a lot worse for many of them. I took part in a Westminster Hall debate with many fellow Members, and it was heartbreaking to hear the litany of individual cases that all of us were handling. Two things come from these stories. For example, a constituent of mine made a claim back in May and was having difficulties with MyCSP: long waits on the phone; unanswered emails; documents going missing. Given that we already knew that, I find it very surprising that you did not know in the transition period. Clearly, those problems have continued, with the portal not allowing login and phone conversations getting cut off mid-call. Underlying all that is financial hardship and extreme worry about how people are going to pay their bills. I want to press you on what mitigating actions you are taking to alleviate that hardship.

Richard Holroyd: I am going to reiterate an apology. I am receiving personal emails from members of the scheme and replying to each one myself, because I think the people in the scheme deserve a better service. They have served their country and we are not delivering what they need or deserve. Chris will take you through the precise detail of each mitigation action.

Chris Clements: The principal mitigating action before we took over was the 180 additional people we hired. Since we took over and realised that things were worse, we have hired an additional 130 and brought on the surge resource of 150 from HMRC. As agreed with the Cabinet Office, the focus has been on people with the highest potential detriment. For instance, last week, if you indicated to us on the call centre that you were reporting a bereavement, your average wait time was 47 seconds. If you indicated that your call type was financial hardship, your average wait



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time was four minutes and 40 seconds. Of the calls we took last week, 43% were on those two priority lines.

What that has meant for people who are not on those two priority lines is that there have had to be unacceptable waits. I am very sorry for that. As we continue to go through the historic cases, and get people their money, the call volumes are coming down. As Richard said, we were anticipating 7,000 calls a week. On our peak week, we got 25,000 calls. We were not ready for that volume. As we have been resolving the back office, the call volumes have been dropping already. We are bringing on more and more skilled people into the front office to answer the queries. By the end of February, 80% of calls will be answered within the service level, which is 30 seconds. We are prioritising the people in the most hardship and the people who are at the biggest risk of detriment. We are very sorry that that means there are waits that are too long for other people.

Q141 Anna Dixon: I really want to press you on how you are mitigating the financial hardship. I am hearing that you have had to make some prioritisation, clearly, for people who you have put in this priority category. But it matters, too, for somebody who has reduced their working hours and was expecting to be able to defer and receive regular payments. It matters for the person who is expecting a lump sum or has already retired and is expecting their regular pension payment. All these people are in financial hardship because month to month they do not have the savings just to pay their bills. What are you doing with the Cabinet Office? There has been talk of financial loans. We heard from our colleagues at the NAO that they are putting financial loans in place to help some of their retirees. What are you doing to mitigate this real financial hardship that people are facing today?

Chris Clements: We have worked with the Cabinet Office to design the hardship process. When a call or contact comes through to express the fact that they are in financial hardship they are asked to go, as the process is designed, back to the department that they worked for and that department will give them a hardship loan. For anybody who left the civil service more than 12 months ago, we, as Capita, are then making sure that they get their money as fast as possible in the same sort of way that the hardship loan works.

We have then prioritised getting everybody their lump sums by the end of February. That means that everyone who has a quote and has gone through all the necessary rules and paperwork will get their lump sum by the end of February. The combination of that work on the lump sums, the work with the Cabinet Office on setting up the hardship process within the departments, and us setting up a hardship for people who are deferred members who left the civil service many years ago, means that everybody should be able to have access to funds immediately. Everyone will then have their lump sums as fast as possible.

Q142 Anna Dixon: Finally, on the recurring payments, you have talked about the end of February for these prioritised cases to get payments and that that will go into a normalised process by the end of March. I do not think



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that I heard a date by which you expect the recurring retirement payments to be normalised.

Chris Clements: As long as all the paperwork is there and we have all of the information, then we are looking to have everyone on normalised payment within two months of them receiving the lump sum. The hardship process will continue in that interim as well.

Q143 **Anna Dixon:** That would be the end of April? I am just trying to be as specific as possible.

Chris Clements: Yes.

Q144 **Chair:** If I ring up your helpline now, and I am not in one of those two priority cases, how long will I be waiting?

Chris Clements: The average wait time last week for cases not on those two priority lines was an hour and 55 minutes.

Q145 **Chair:** Every person's query is important to them. Anna indicated some of the categories. There are also people who just want to get a statement. They may be thinking about retiring or taking a redundancy scheme, and just want a statement. When will we see that come down to an acceptable level?

Chris Clements: Our commitment is to have 80% of all calls answered within 30 seconds by the end of February.

Q146 **Chair:** Is that realistic? If you are waiting an hour and 55 minutes now, then is that realistic? The end of February is only a fortnight off.

Chris Clements: We have additional staff joining every week as we increase the size of the call centre. The really material element is that, as I said, 47% of the calls that we took last week were on one of those priority lines. As we go through February and resolve those priority cases to make sure that everyone in hardship has some money and every bereavement is recorded, that means that there will be more contact centre agents available for the other kinds of queries.

Richard Holroyd: Those are inevitably shorter to handle, so it means you can increase the volume.

Q147 **Chair:** When do you think your system will be running sufficiently well that no department covering civil servant pensioners will need to make hardship loans, because they will not be necessary?

Chris Clements: We will have all the priority cases in normal payment, as we said, by the end of April.

Q148 **Matt Turmaine:** Thank you for coming to speak to us. I want to talk more about the preparatory period and the state of readiness when you got to the go-live. There was a two-year transition period. How come you were not ready for it, given that you were speaking to MyCSP and the Cabinet Office at the same time?



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Chris Clements: Over the two-year transition period, we set up the secure IT environments, processes and systems. We designed the onboarding training and understood the scheme rules. We put in place all the calculators, automation and pro forma work stacks required to run a complicated DB scheme. As we said earlier, my business runs 250 pension schemes across the private and public sector, so this is something we do regularly. The civil service scheme is very large, but we do onboarding schemes regularly.

The key element of any large outsourcing position like this is that you do not take on the active work until you TUPE the staff and do the final transition of data. Until that last go-live weekend, you can practise, go through the systems, design the processes and do the onboarding training. However, until you have live cases and the staff transferred, you cannot work on the current open cases.

The other thing we did in the transition period was dress rehearsals and dry runs of the data migration, and an analysis of the underlying database. One of the things we have not mentioned is that there are more than 20 million errors in the underlying database, and more than 70% of all current cases that come in require manual data remediation because the underlying data is incorrect.

While sometimes it might not matter that you do not have a piece of information, if that piece of information pertains to your age or service history, it will turn into a real financial difference in the amount you receive. Understanding those data errors that have accumulated over the years and finding a way to triage and correct them as cases come in was a key part of the transition process.

Q149 Matt Turmaine: The NAO Report says that there are a relatively small number of companies operating in this sector. Clearly, it is not uncommon for pension schemes to transfer from one to another. While I take on board what you are saying, it still seems to me that two years is quite a long period to anticipate any challenges and difficulties that are likely to arise, notwithstanding that you perhaps were not expecting the scale. What is the point of the two years if you are unable to unpick those kinds of problems from transitioning from one to another?

Richard Holroyd: Yes, on the face of it, a two-year period involves a whole raft of commercial activity, followed by programme activity, building systems, and as Chris described, datasets and then practising with dummy data, etc. It would appear to be a very long time; it is a 1.7 million-member scheme.

There are, however, some realities here about the commercial side of this. We, as a business process services company, regularly hand over to and receive from our competitors—we work very closely with them. Normal commercial processes mean that you do not get to see all the inside workings of somebody else's operation. What you receive are datasets of the other operation. There isn't the opportunity to go and sit in and completely immerse yourself in how that operation is working.



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This was a service transition, of which we do many, and there is a normal process. Part of that process is that the authority or the department that commissions the service can see into both sides of the process. During this stage, we went through that normal process. As Chris has reiterated, we knew that there would be some degree, because we expected it, and it is not unusual that, as one service starts to decline and the other one picks up, that you have a backlog that is slightly higher than normal. In all the things we do, that would be normal process, so you plan for it and always add a bit more, because you do not want the service to not go live correctly. We did exactly that. We put it in, added a bit more and added a fudge factor on the top of that. That is what Chris has described. You also receive, on TUPE, the people who are really in the process and understand it. They are the live experts who understand it in detail. They TUPE-ed across to us on 1 December.

At that point, you are dealing with the frontline managers and expertise who can then start to tell you in much more detail what is going on in the operation. That is normal process. I know it appears like there is two years, but, as I say, the way that commercial operations run and commerciality, with things that are commercial in confidence, means that you cannot sit alongside, see the database, see the back office or see everything—that is not how the process works.

Q150 Matt Turmaine: I accept that there is clearly commercially confidential information. You are operating in a commercial sector. It is a competitive environment. The very fact that you are tendering for somebody else's business reveals that, but this is not an uncommon problem, it seems. In 2014 and 2015, the transition had gone the other way and similar problems had taken place.

I understand that individual staff may be different. It is a real benefit, and I appreciate that it unlocks having that TUPE across of those staff and unlocks the ability to look into more of the detail. Staff will change over a period of time, but organisational knowledge and expectation of being able to deal with these kinds of issues must exist. Isn't that part of what that two-year period is about, in terms of trying to unearth and reveal?

Chris Clements: The 2014 transition was completely different. In the 2014 transition, we were just doing a small payroll service on the side of the main principal administrator. We were not the principal administrator. This was a complete software change, and a rebuilding into a modern, highly automated, AI-enabled architecture.

To give you a sense of scale, I had more than 500 software developers, calculation architects, actuaries, project managers, programme teams and process experts working on the implementation. We have put in place, across all of my clients across the private and public sectors, a standard way of working on our proprietary software that allows us to manage the most complicated defined benefit pension schemes that exist in the UK.

That two-year project was to ingest what is a very complicated scheme with 1.7 million members, more than 300 different employers—every



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Department, quango, museum and every other employer in the UK Government, with multiple sections and complex types of service with multiple different benefit types. We ingested all that, and have understood it and designed processes and stood up the processes to be able to do all the transaction types and get all the work done.

As we said, the only difference to the normal process is that you would expect a work in progress to come over, but not the age. Age is really important in pensions because the age of a case is a very close proxy for the emotional content and potential for harm, so there is a humungous difference between a work-in-progress position, where your service level agreement is 10 days and the work in progress is 20 days' worth of work and what might numerically look like the same work position, but where there is an element of 10 days or an element that is a year old. That is a very different work in progress, but numerically they look exactly the same.

Q151 Chair: That is why I am so concerned about people getting hold of you on the telephone system and emails. You might not necessarily have heard from those people before, and there may have been some considerable age of their problems. That is what I want to be really assured about this morning; if somebody not in those two priority categories rings up or emails you, will they get service? You tell me, by email or by telephone, when will they hear from you? They might be desperate.

Chris Clements: Sir Geoffrey, the way that would be best to contact us is this. On the website, there is a "Contact Us" section, and you do not need to have registered or logged on. Go to that section and the "Contact Us" form allows you to write to us. Copilot then automatically reads and understands that, identifies priority cases and puts them in the work queue. By doing it that way, the AI tool allows us to make sure that we are instantaneously identifying those cases with the most detriment. That is a completely different solution to emails sitting in an unread email inbox and it is part of the transformation that we are making.

So, please can I recommend that any Member who wants to contact us uses the "Contact Us" form on the front page of the website? That will be immediately read by AI, stacked and prioritised, and then read by a human to get the work done.

Q152 Chair: That is really helpful. We will do our best to publicise that, but could you make sure that you publicise it in all the relevant ways?

Chris Clements: We absolutely will. And we are working with the Cabinet Office to make sure that it is on every statement we make.

Richard Holroyd: It is worth mentioning that we are fast-tracking as much technology to support this as possible, because simple elements such as a change of address should not be something that involves anybody on a phone. Therefore, we are taking away the volume from the phone lines for the people who have an issue and putting it into just standard process. We are deploying as much AI as we can, as fast as we

can, in order to resolve those cases and create the capacity to deal with the most important cases.

Q153 **Mr Betts:** When did this Copilot arrangement come into place?

Chris Clements: On 1 December.

Q154 **Mr Betts:** On 1 December? So you have had it all this time?

Chris Clements: Yes.

Richard Holroyd: We haven't created new unread emails. When people were contacting us—this is why we have been pointing to this form—it meant that we have not contributed to the backlog of unread emails. We have a backlog that we mentioned earlier, which inevitably has gone up as we received the surge of pent-up demand. That is what Chris dealt with earlier.

Q155 **Mr Betts:** That is interesting. I have a case of a constituent, Darry Howe, who was promised—this came in after you took over—on 1 January that he would get his lump sum, and that everything would be sorted out. He explained very clearly that he needed that lump sum to buy a house—he said he was contracting to buy—and that he would become homeless if he did not manage to process this within a short period of time. But he has heard absolutely nothing. So, whatever Copilot was doing, it was not doing what it should have been doing.

Richard Holroyd: In that case, Copilot would be reading—what we are referring to is “No” to Sir Geoffrey’s point, about things not being read. That piece of work would have been read and gone into the work stack.

Chris Clements: Mr Howe’s case is in the prioritised work stack and his lump sum was processed yesterday.

Q156 **Mr Betts:** Yes. He contacted me this morning to say, “Miraculously, the money’s arrived.” I am sorry, but he asked and I think it is a case of—we talked about the case of Caoimhe Jennings earlier, which Gregory Campbell MP raised. Would these people actually have got anywhere with their cases unless Members of Parliament had raised them?

Chris Clements: If I may—absolutely. The information that Members of Parliament provide is incredibly useful for us to understand where people are in financial hardship, but we are not prioritising cases because they came from an MP. What we are doing is prioritising cases, as agreed with the Cabinet Office, on financial harm. So, I am very grateful to you for helping us to understand where harm exists, so that we can prioritise. But his case would have been in the prioritised list anyway as someone we are getting the money to.

Q157 **Mr Betts:** Nobody told him; he is getting no communication from you at all.

Chris Clements: I can only apologise for our not communicating properly and I understand that it is very stressful when you are not being



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communicated with. We are absolutely focused every day on making sure that we get as many people their money as fast as possible.

Q158 Mr Betts: Sorry—I just feel that I am raising one example, but I suspect that it is not the only example that exists. There should have just been a message back to say, “We have got your message, Mr Howe. There is a bit of delay. We are having problems, but we will make sure you get the money in time.” Something like that would have been really helpful.

Chris Clements: I do not want to speak about specific cases, but we are writing and acknowledging.

Richard Holroyd: You are absolutely right—we have a duty of care to respond and say, “We have received”. As we are getting more and more control of the operation, that is exactly what we are setting out to achieve. As I keep repeating, this is not a service of the right standard; it is not one that we are proud of.

Q159 Mr Betts: Let us look at the standards then. You agreed to meet the target of restoring all the death-in-service benefits by 12 February. Have you done that?

Chris Clements: We will get death in service back to service levels at the end of February. If I may—

Q160 Mr Betts: You committed to 12 February with the Cabinet Office, as I understand it.

Chris Clements: We committed to the end of February. Since we originally started the planning process, we have identified more cases that we were not aware of on death in service. Since we took over—

Q161 Mr Betts: Sorry, you agreed 12 February with the Cabinet Office—that is what our Report says. Is that right?

Richard Holroyd: We do not have a copy of that Report.

Chris Clements: Since we took over on 1 December, we have assisted more than 105 people who had death in service to receive their money. On transition, we identified 270 death-in-service cases in the backlog; since then, we have identified an additional 138 cases that were not in those initial numbers. We are working dynamically to make sure that every case is found, identified and then worked on as fast as possible.

Q162 Mr Betts: We are getting a list of your problems, not the solutions that you are going to deliver. You are not going to hit the 12 February target—obviously, as it is tomorrow, so you are not.

Chris Clements: We will get all death in service back to normal service levels at the end of February.

Mr Betts: Sixteen days after the commitment.

Richard Holroyd: We do not have visibility of that date. At some point, we might have said that definitely all the cases that we had live at that



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point would be done by 12 February, perhaps. What Chris is highlighting is that we keep uncovering more cases. Making a commitment that says, "We will have cleared all the commitments by 12 February", while we are still discovering more is difficult. It is very difficult to clear a case within hours of finding it.

Q163 Chair: Let us get the exact reference. Cat Little, the permanent secretary at the Cabinet Office, wrote to me as Chair on 2 February, setting out milestones. One of the priority areas was to set up priority milestones. She said: "We have strict targets to restore service for the most vulnerable cases: death-in-service by 12 February and ill-health retirement by 27 February." Are you telling us that you are not going to meet the death-in-service most vulnerable cases by the 12th and the ill-health retirement cases by the 27th?

Chris Clements: We are on track to hit the ill-health retirement by the end of the month, and we are on track to hit the death in service by the end of the month. To your exact question, no, we will not hit the death in service as per you have just read out; we will get to the death in service by the end of this month, based on what we know today, the cases we know about today. That statement will have been made based on the cases we knew about at that point.

Q164 Mr Betts: May I pick up on two particular issues then? First, you now say you have targets to hit with two elements of service. Can you give the Committee a timeline for when you will hit all the service performance targets that you are contracted to hit?

Chris Clements: The SLAs that are contained within the contract?

Mr Betts: Yes.

Chris Clements: We will get the service back to the service levels once we have cleared all the problems—

Mr Betts: No. Can you give us target dates for all those—

Richard Holroyd: Yes, we can.

Q165 Mr Betts: Will you write to the Committee within the next week?

Richard Holroyd: I think we have committed—we have a committed date to return to SLAs by the end of March.

Q166 Mr Betts: On all SLAs?

Chris Clements: To get all SLAs—

Richard Holroyd: On all contracted SLAs—

Mr Betts: By the end of March.

Richard Holroyd: By the end of March.

Q167 Mr Betts: Right. The problem is, we keep hearing two get-outs. One is, "All the cases we know", but you are never going to know all the cases,



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are you? More will come out, and that is the get-out. You will say, "Well, actually, we didn't know about those. We cannot deal with them within that timeframe."

Richard Holroyd: As Chris said earlier, the SLAs have timelines by which we must have completed activities. To get back into those SLAs, it means that we will have taken and processed a case within—

Chris Clements: Five days on each step—or 10 days.

Q168 **Mr Betts:** Okay, so if you do not know about them now, but you will know about them by the middle of March, then most of the SLAs you should deliver on, dealing with those cases by the end of March, shouldn't you?

Richard Holroyd: Yes.

Mr Betts: Not knowing about them now is not an excuse for not dealing with them.

Chris Clements: The SLA is measured from when the member raised the case, so if the member raised the case in the past, it has been closed and we do not know about it, it is difficult—if that is in the past, it is in the past, and it is difficult. My business is absolutely committed to making sure that every member gets what they deserve when they deserve it, so we will continue to search the records and look for people. We will look for cases that have been closed that should not have been closed. We will look for records that are there and will continue to work on that because that is the way you make sure the service is excellent. You could hit the SLA by just doing the new case that came in and ignoring those old cases, but I do not want to run a service like that. I want to run a service that is good for everybody.

Q169 **Mr Betts:** So it is a general commitment with no exclusions. Okay. Just one further point, because you dropped into the conversation another potential excuse: as long as the paperwork is there. The pensioner or prospective pensioner has to provide the necessary paperwork. The problem is that they also have to rely on you processing the paperwork. So if you do not do your bit of it, you can then say, "The paperwork is not there, so we do not have to meet those targets."

Richard Holroyd: What I am really clear about is that we are not here to make excuses, and we are not claiming excuses here. What we are making the commitment to is to run the service in the way that it is designed to hit the SLAs. So when we use words like, "If the paperwork is there", we are finding in some cases that where a case has been raised by a member of the scheme, not all the paperwork has been provided by either the member or the department, thereby putting the case together. So it is not meant to be a caveat or a cop-out or a sidestep. It is just giving details of how the process works. It is absolutely right to hold us to account to deliver the service to the SLAs and to the correct contractual standard. We absolutely are standing by that commitment.

Q170 **Mr Betts:** So at the end of March everyone will be happy.

Richard Holroyd: I would love everybody to be happy. We have to work to make sure they receive the service that they should expect.

Q171 **Mr Betts:** We hope it is right. A constituent has just texted me to say, "Why should we believe a word they say?"

Richard Holroyd: I understand that. As you might expect, we have a large number of ex-civil servants in Capita because they were TUPE-ed across from civil service activity into Capita. So I have to talk to members of my own team as well as members of the public. I am receiving heartbreaking emails from people who have served this country, including a lady with 44 years of exemplary service who should expect to retire properly, and we do not step away from any of that.

As I said at the start, we may not have owned the backlog, but we own this problem and it is for us to solve this problem. It is the top priority across Capita group. We are putting everything in behind this because I have to look those pensioners in the eye.

Q172 **Mr Betts:** Are you on top of voluntary exit schemes? That is clearly a big issue for departments and individuals, because reorganisations in departments depend on this. Individuals will want to know where their future is.

Chris Clements: On the first week we took over the service, we inherited a list of voluntary exits that needed to be done in this financial year for the Government. We have worked closely with the taskforce to refine that list and identify the cases that need to be done. The priority 1 and priority 2 cases on that list will be completed in this financial year, as agreed with the Cabinet Office.

Richard Holroyd: We have a joint plan with the Cabinet Office to deliver the voluntary exit schemes.

Q173 **Mr Betts:** And the Cabinet Office are happy with that?

Chris Clements: We speak to the Cabinet Office every day and they track us against the performance.

Richard Holroyd: We are working absolutely hand in glove and are incredibly grateful to the Cabinet Office and the permanent under-secretary, the second PUS from HMRC, who is working with us incredibly closely to help us resolve this and to work with each of the Government Departments to make sure we tie all this together.

Q174 **Chair:** I really want to get absolute clarity on this, because in that same letter from the permanent secretary to me on 2 February, she said: "There are circa 3,400 members due to depart under Voluntary Exit Schemes (VES) that quotations and/or payments need to be completed by 31 March 2026. Capita is unable (at this stage) to guarantee that this date will be met to allow all of these members to exit employment and claim their pension payment(s)". This is pretty important. They want to know whether they are going to accept these voluntary exit schemes or not. When will that category of voluntary exit scheme be resolved?



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Chris Clements: Working with the departments, that number that we inherited is now 3,663, of which 2,163 are quotes. Since we took over, we have completed 841 quotes and 502 awards, and at our current trajectory of completions, we will have all those priority 1 and priority 2 cases completed, in the agreed timeline, by the middle of March.

Q175 **Chair:** And what about the rest?

Chris Clements: Of that original list, these are the ones that the Government have agreed are actually required.

Chair: Okay. Thank you very much for that clarification.

Q176 **Sarah Olney:** Under the original agreement, Capita was going to have a lower headcount than MyCSP, because of the productivity gains that you expected to implement. Alongside this backlog, which, as we have just been hearing, you did not expect and is obviously causing you trouble to work through, you have also rode back on the IT system that you were going to implement. A simplified system—simplified from the original commitment—was then put in place on 1 December. Can you talk us through the extent to which you expect, in due course—backlog notwithstanding—to be able to deliver the productivity gains that you promised?

Richard Holroyd: Yes. Chris will give you the details of the plan. To reinforce the point, until we get the service into SLAs, reducing headcount is absolutely not the right thing to do.

Q177 **Sarah Olney:** I understand that, and that is why I am parking, if you like, the issues around the backlog, which have been fully explored and explained. Nevertheless, there is this point about productivity gains; I think you had already rolled back on what you were going to deliver.

Richard Holroyd: At this stage, trying to achieve the productivity gains is just not—so, we will get this into good order, and then we have a detailed plan.

Chris Clements: On the system, as part of the transition we agreed with Cabinet Office, and it approved, we are splitting the features of the system—these are some of the advanced features that are on the portal—between 1 December and the end of March. Those that we call day-two features will come at the end of March. All the day-two features are incremental to what the members had on the previous administrator.

Q178 **Sarah Olney:** Are these additional features that they would not have had before you took the scheme over?

Chris Clements: I will give you an example. By the end of March, we will have a “track my case” feature, where the member will be able to go on the portal and see in detail where their case is and what is happening to it. That feature will be available in the next few weeks. On the productivity point, we do all our recruitment and staffing based on a scientific analysis of the expected incoming cases and the handling time for those cases. We always intended that, on day one, we would have the right staff in place to

handle the cases as we saw them. As you can see from our recruitment, we had the TUPE-ed staff and recruited staff.

As we continue, we will always ensure that we have the right number of people to do the cases that are incoming once we are through this and into normal service. We have put technology in place: Copilot reads the incoming messages, and all the attachments and documents for a case, and gives caseworkers a summary at the start. The technology in the processing is all things that are working. As you evolve a new operation, you look at the end-to-end handling time of a case, and you go through and evolve and improve every step along the way. That is the process that we are starting to undergo now, and it is the core part of driving that productivity up.

Richard Holroyd: The commitment is to give the members the sort of service that is provided by banks and other financial institutions, with an ability to self-serve. I have a pension app on my phone that allows me to see how much is in my pension fund and, against my projected retirement date, what size that pension fund will be and what sort of annual income it might deliver me. Those are the sorts of features that we will be deploying, so that it will take away the need to phone, and therefore increase productivity.

For those sorts of features, it is important to get in and get hold of the service—even had we not been expecting a backlog, the intention was to deliver those additional features once we had control of the operation. So we will be deploying those.

Q179 **Sarah Olney:** Can I just ask you about that—once you had control of the operation? You were expecting to have control of the operation from day one, and therefore that is when it would have been delivered.

Chris Clements: No, we never intended to have big productivity gains on day one. The productivity gains were always intended as you go through the operational speed to competency in the curve. No, we never intended on day one to have significant operational gains.

Q180 **Sarah Olney:** So when do you intend?

Chris Clements: We will always ensure that members are getting the service they deserve first. Those gains will happen as and when the members receive their service.

Q181 **Sarah Olney:** You are not expecting to be able to deliver the productivity gains you planned until after you work through the backlog. Is that what you are saying?

Chris Clements: As part of working through the backlog, we will look to reduce the handling times and make ourselves as efficient and effective as possible, because it is beneficial to reducing the backlog, but until the service is in a good state and the backlog is reduced, all the considerations of that stuff is not necessary; what is necessary is to give the members the money that they deserve as soon as possible.

Q182 Chair: I wanted to clarify something very important that you said earlier on. You said that the best way for customers to reach you is via your website using the contact section. My excellent Committee staff have looked at that and have found that it is very difficult. Will you put out a clear mention on the main page of your website today, so that it is clearly visible?

Chris Clements: We absolutely will. On the main page, it is at the very bottom. We are at the moment getting that amended so that it is at the very top.

Richard Holroyd: There is a software person right now moving it.

Chair: Because we expect it will be done—

Sarah Olney: By the end of this Committee.

Richard Holroyd: As fast as we can do it.

Q183 Chair: I want a deadline, so that I can hold you to it.

Chris Clements: Just to be clear, on the website at the moment it is at the very bottom; it says contact us.

Chair: Yes, I can see it.

Chris Clements: The technical team are working on either moving it or providing a link at the top of the page—

Q184 Chair: I get that. You already said that. When will it be done?

Richard Holroyd: We will come back to you this afternoon.

Chair: You will send us a message this afternoon, and we will put it in the transcript.

Q185 Matt Turmaine: I have a couple of hopefully relatively quick questions. You have spoken a lot about the staff that you have got in and the modelling that you are doing of anticipated workloads and so on. Do you feel at the moment that you have the right resources that you need, both in terms of quantity and quality, to be able to tackle the workload that you have?

Chris Clements: Capita plc has put in every person and every available resource. We have worked with HMRC on the available resource to assist us.

In terms of quality, as part of the transition, we designed an onboarding process, which includes onboarding to help people to get up to speed on the scheme rules or the processes or the systems. Everybody is onboarded in that way.

We have spent some time analysing the end-to-end process. We talked about paperwork earlier, and I think that is probably the wrong way to think about it. We have to comply with the complicated scheme rules in everything we do. There are many steps in every process. We have

worked on identifying which of those steps require my most highly experienced, most senior pension administrators, and which of those steps can be done by people without pensions expertise. We have divided those steps into places, so that we can utilise the staff we have to get the cases moved as fast as possible and ensure that the bits that require really complicated pensions knowledge are done by our experts, and our experts are only doing those bits.

Any time that I have needed anything or any technological resource, Capita plc or our technology partners have provided that immediately. This is not a question of needing the resource; this is a question of ensuring that we deploy that resource to comply with the scheme rules and make the processes—

Richard Holroyd: It is the top group priority. Anything that Chris is asking for, he is getting, and he is not being left short.

Q186 **Matt Turmaine:** That is great. Will that still be the case once the surge staff are removed and you are sort of business as usual?

Richard Holroyd: Until the operation is hitting SLAs—that is step one—then it needs to hit the highest standard that we expect of the services that we deliver. I have a phrase: “The sound of perfect service is silence.” When the service is silent, because everybody is getting what they need, we will then think about how we restructure the operation to make sure that we are getting the productivity gains and make sure that it is running in the right way. The sound of perfect service is silence, and this service is absolutely not silent. Therefore, we will keep at it until we have it in the right shape.

Q187 **Chair:** Richard, when will it be silent?

Richard Holroyd: It is hard for me to commit; what we have committed to is hitting the SLAs. To the point about trust, we then need to work to gain the trust of the members of the scheme, so that they utilise it in the way that it is designed. Promising a date at which our customer promoter score will be really high is hard for me to do, and I do not want to commit to a date that I then cannot keep. But I can commit to keep reporting on the complaint backlog that we are dealing with, with an intention of continually reducing it.

Capita’s reputation through this process is not where it needs to be, as you well know. We are not happy about how the service is running or the performance of what we are delivering. I deliver services that serve just about every citizen in the UK in some form or another. Back to my point that the sound of perfect service is silence, most of the Committee will not be aware of all the services that we provide, because they run effectively. We will get this service into the same condition as those other ones.

Q188 **Matt Turmaine:** One final point, Chair—they do say the sound of silence is golden, so apologies for shattering that—in terms of dates and the productivity and the tech that we were talking about, do you still expect to have delivered the promised levels of automation and AI by March 2026?



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Presumably that is not a confirmed date now.

Chris Clements: All the features for the portal, all the features for the technology and all the AI tools will be in. We will continue, as you would expect us to, to develop the handling times and change and improve the automation. It is a service of continuous improvement, so there will still be some improvements and developments. I am absolutely focused on the features that make the experience for the member better, and focused on the tools that will allow us to process more cases. That is my focus, but it will be a continuing evolution of systems afterwards, as you would expect.

Q189 **Matt Turmaine:** But with the current backlog you would not expect to hit the March 2026 target?

Chris Clements: We will hit the features that we have promised for day two, which will come in at that point. The underlying processes of making sure that we continually improve it—we might add more automation, say—will still be happening, but the features on the website and the portal, and all the things we have promised will be in.

Richard Holroyd: Day two is a contractual term; they will be there by the end of March.

Q190 **Chair:** The proof of the pudding is in the eating. You will obviously want to reduce the number of staff as soon as you can, and get the AI in process as soon as you can to do that. The 150 HMRC staff will not want to be there any longer than they need to be. You have 750 staff at the moment—I think that includes the 150 from HMRC—which is a much bigger number than you originally intended to have. Can we have an absolute assurance from this session that you will not reduce those staff until the AI systems have been thoroughly tested and we know that they are working?

Richard Holroyd: I will go further than that: we will not reduce the level of staff until the service is working, because it makes no sense to do that. We will get the service running properly. I cannot speak for the Cabinet Office surge staff but, for Capita plc staff, we will remain resourced in order to deliver the service and get it to where it should be—meeting SLAs and service expectations.

Q191 **Mr Betts:** The NAO has looked at this and said that you have not hit some of your milestones in the transition arrangements for your taking over the scheme, and the Cabinet Office has withheld some payments. How much has been withheld so far?

Chris Clements: Underneath the 12 original milestones there are 91 deliverables. Of those, we have delivered 68 of the deliverables on go-live. Of the remaining, 15 are post go-live deliverables, and eight involve testing features that were in the conversation we just had about day two. In total, there are unpaid milestones, including the post go-live ones that would not be due yet, of £9.9 million.

Q192 **Mr Betts:** That is money that is withheld—it would be the Cabinet Office's intention that it will eventually be paid.

Chris Clements: When we achieve those deliverables.

Mr Betts: So it is not really a penalty at all, is it?

Richard Holroyd: This is a contractual arrangement. As Chris has underlined, at the top level it is about milestone payments. There are elements underneath that where we have delivered in line with those, and therefore there will be a commercial contractual conversation with the Cabinet Office at the right time.

Q193 **Mr Betts:** Have you had any further penalties for your non-performance since 1 December?

Richard Holroyd: Not at this stage. Right now, the focus with the Cabinet Office is on the restoration of service. Once we are through that period, we will be having conversations with the Cabinet Office and the commercial team.

Q194 **Mr Betts:** Are the payments to you, which are due under the contract, linked to your performance?

Richard Holroyd: Yes. We do not get paid until we are delivering against SLAs.

Q195 **Mr Betts:** Do you get a penalty for not delivering?

Chris Clements: Yes. There is a monthly SLA regime and, in normal service, there would be a penalty every month if you were not delivering on the SLAs.

Richard Holroyd: Clearly, we are not delivering against SLAs, so we are not getting paid.

Mr Betts: And that payment is not recovered down the line of the contract; it is a payment you have lost.

Richard Holroyd: Yes.

Q196 **Mr Betts:** Who is paying for the staff you have had brought in and the help from the Cabinet Office and elsewhere to help you to do the work?

Richard Holroyd: The Cabinet Office is paying for them. They were surged because there was a recognition by the Cabinet Office that the backlog that we got on day one was not of our making. The Cabinet Office surged those resources in. Quite rightly, at this stage, the focus has been on the return of service. The focus has not been on sitting down with the Cabinet Office to have detailed commercial conversations about who is paying for what. That just would not be the right use of time. The right use of time is restoring service.

Q197 **Mr Betts:** So at this stage the Cabinet Office is paying for all those staff.

Richard Holroyd: Yes. We are not directly paying for them right now.

Mr Betts: And you probably have no intention to pay, either.



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Richard Holroyd: As I say, we are not having those conversations right now, and I don't think it is the right thing to have those conversations.

Q198 **Mr Betts:** The justification is simply that you did not know what you were taking over, even though you had had two years to look at it.

Richard Holroyd: If I may, at this stage it is not about justification. This is about owning the problem and getting the process back up and running. There will undoubtedly be conversations once we have got back to the right service levels, but it would not be the right thing for my teams to be engaged in conversations about penalty payments and payments. We are not being paid because we have not hit SLAs, and milestone payments for things that have not been delivered have been withheld. That is quite correct and proper. Conversations about the cost of the operation should happen once we have restored service.

Q199 **Mr Betts:** What is the technical employment position of the people who have been seconded from the Cabinet Office to you? Are they effectively operating as your employees?

Richard Holroyd: No.

Mr Betts: So if they make mistakes, any comeback would be on the Cabinet Office.

Chris Clements: They are operating under heads of terms that we have agreed with the Cabinet Office, whereby we are responsible for the output. Everybody's work is reviewed and peer reviewed, so we have four-eyes reviews on all the work, and our systems and processes ensure that the quality is checked. So we are responsible for the outcome of the work done.

Q200 **Mr Betts:** So if there were any errors that caused issues for a pensioner—probably financial issues—the comeback would be on you, even if staff in the Cabinet Office contributed to those issues.

Chris Clements: If they were the surge people acting as part of the clearance, it is our responsibility to ensure the items are correct, yes.

Q201 **Mr Betts:** When are you going to sort out all the financial arrangements with the Cabinet Office?

Chris Clements: I think the most important thing now is that we get the money to the members who deserve it for their service to this country, so we are absolutely focused on that. As Richard said, we will agree the commercials—

Richard Holroyd: We will sit down with the Cabinet Office at the right time. It is not a conversation that we will seek to drive. As I say, we are seeking to restore service and we are utterly focused on that.

Q202 **Chair:** In addition to all this other stuff, you have taken on the remedy contract.

Richard Holroyd: Yes.



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Chair: As we know, that is going to be incredibly difficult to deliver. What SLAs have you got for that scheme?

Chris Clements: To be absolutely clear, what has happened is that there are two parts to remedy. There is remedy work in process—that is, remedy cases that MyCSP did not complete—and then there is remedy for complex cases that weren't started. We have a statement of works with the Cabinet Office to do an impact assessment of how we should resolve those complex cases. We have not yet finalised the contract to remedy the cases. We are working in partnership with the Cabinet Office to work out the plan to address all those cases.

Q203 **Chair:** Time is marching on since the court case. Those people also have a right to expect a reasonably prompt service. When do you expect that contract to be resolved?

Chris Clements: As soon as we have got through this thing in March, we will be looking to begin work on all the remedy cases.

Q204 **Chair:** The total value of the contract was £239 million. Have you any calculations in your own mind of how much you are going to make out of this contract? It will be less than that, won't it?

Richard Holroyd: Again, that is not our priority right now. It would be the wrong priority, so there is no activity working that out. I go back to the point that we don't get paid if we are not hitting the SLAs, so it is obviously in our interest to get those SLAs to return to service. In doing so, that serves the members. Members are the priority; we will deliver the SLAs for the members. We are not wasting any time figuring out what the financial impact is on us right now.

Q205 **Chair:** I get that, but what about the consequential—things like late interest payments and so on? Are they all covered by the contract, or is there still some fuzziness over the consequential? Are hardship payments and so on covered by the contract, or is there negotiation to be had there too?

Chris Clements: We are working with the pension scheme and HM Treasury on the correct way to deal with interest on late payments to members. On individual cases, where there has been a problem with the administration, we are processing an ex gratia compensation payment if there is fault, as we would in normal circumstances. On interest on the late payments, we stand ready to do that, and that has been agreed with Treasury. We are working on that.

Q206 **Chair:** That is interest on late payments. What about hardship payments and any other consequential?

Chris Clements: We are working with our partners in the Cabinet Office on the way that the hardship payments are working and how that should happen. We are making sure that people who should have received money get it as fast as possible, or a hardship loan.

Q207 **Chair:** Okay. You have given us a lot of information today. You have



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particularly given us quite a lot of milestones and dates. Can we be assured that if we invite you back—probably not too long after the end of March—to see how you have got on, you would be more than happy to come back?

Chris Clements: Yes.

Richard Holroyd: Absolutely.

Chair: Thank you very much. Do any Members have other questions? No.

Thank you for your information this morning. I repeat, on behalf of the scheme members, that we want to see these problems resolved as quickly as possible, and I get the sense this morning that you do too. That is really important, particularly given that there are some really, really difficult cases out there. We have mentioned some of them, but I suspect that what we have been talking about this morning is just the tip of the iceberg. As my excellent deputy says, it shouldn't be necessary for a Member of Parliament to become involved; that should be absolutely the last resort. That is not to say that we are not more than happy to do that on behalf of our constituents, but it simply should not be necessary if the scheme is working properly.

We probably will want you back some time later in the year to see how this is all working out. In the meanwhile, thank you very much for what you have said this morning, for being here and for answering our questions. I should say that an uncorrected version of the transcript will be available in the coming days, following which we will no doubt wish to make a report with recommendations. I suspect that, perhaps sooner than that, we will be writing to you, the Cabinet Office or both if we have any further queries that have not been covered this morning.

Richard Holroyd: I reiterate one last time my apologies to all members of the scheme. We own this problem, and we will fix it.

Chair: We look forward to that promise being honoured.