CABINET OFFICE

Catherine Little CB
Civil Service Chief Operating Officer
& Cabinet Office Permanent Secretary

Monday 2 February 2026

Sir Geoffrey Clifton-Brown MP
Chair
Public Accounts Committee

Dear Sir Geoffrey,

In my letter of 20 January 2026 I committed to write again, to you and the Committee, this week with a further update on the recovery plan that we are developing with Capita. The aim of the recovery plan is to stabilise the pensions administration services and bring them back in line with expected service standards for members of the Civil Service Pension Scheme.

Recovery plan

I advised in my previous letter that I have appointed an expert recovery team, led by Angela MacDonald (Deputy Chief Executive and Second Permanent Secretary at HMRC), to work with Capita and departmental leaders to implement required recovery actions. I am pleased to confirm that the recovery team are now on the ground and working closely with Capita to advance recovery actions at pace.

The initial phase of the recovery plan consists of three defined three-week sprints targeting immediate priority areas, which will then be built upon as the full recovery plan is developed:

- Sprint 1: 19 January - 6 February (underway)
- Sprint 2: 9 February - 22 February
- Sprint 3: 2 March - 20 March.

From the information provided by Capita, in summary and at a high level, the current status shows that:

a. All existing pensions in payment continue to be paid on time.

b. Approximately 8,500 members who have already retired have not yet received full pension entitlements i.e. regular pension and lump sum (this could be for a number of reasons and many have received their lump sum payments). This includes ill-health retirements.

c. Around 3,000 members are due to retire shortly, and have accepted their pension quote, including some ill-health retirements.

d. There are 6,300 open death-related cases. Some of these may simply need to be closed if there are no dependents, but some will need spouse and/or dependent lump sum benefits paid and/or pensions set up. Capita estimates that 75% of these cases were inherited from MyCSP, so around 1,500 are new cases since December, of which approximately 300 relate to death-in-service.

e. 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) where relevant.

The immediate recovery plan sprints through to March 2026 include the following key actions:

- <u>Deploy surge resourcing:</u> A 150-person surge resource team has been deployed by the government into Capita to initially help clear the backlog of circa 15,000 emails and 20,000 contact requests and increase processing speed. The team will bolster Capita's existing team of 500 full-time staff dedicated to the contract.

- <u>Set priority milestones:</u> We have set strict targets to restore service for the most vulnerable cases: death-in-service by 12 February and ill-health retirement by 27 February.

- <u>Utilise departmental support:</u> Departments have started to receive weekly data from Capita to track cases, enabling them to identify and prioritise the most urgent cases requiring processing. Departments will also look for opportunities where they are able to assist in processing straight-forward VES cases themselves without the need to go to the administrator.

- <u>Implement hardship support (see below):</u> In order to support partially retired and recent leavers experiencing financial hardship due to delays to pension payment, Cabinet Office is working with Civil Service employers to implement plans to provide interest free bridging loans. For all other members where there is no longer an employer/employee link, Capita will prioritise these cases and where they are unable to fully process their benefits immediately, they will make a partial pension payment in the interim period to relieve hardship.

- <u>Conduct process review:</u> Review Capita processes and identify any appropriate administrative easements that will remove blockers and help increase the speed of processing cases.

- <u>Resolve interface issues:</u> Interfaces are the means by which departments provide updates to members' data through to the administrators. Capita is resolving the issues identified with the interfaces as a priority with a view to being able to receive interfaces from departments by mid February.

Hardship approach

On the hardship support and loans, I think it is helpful and appropriate to provide some additional reassurance to the Committee and the Public Administration and Constitutional Affairs Committee about how these arrangements will operate in practice in line with our obligations under Managing Public Money.

To deliver this objective Ministers have considered that it is appropriate and necessary for us to provide interest-free loans of £5k, and exceptionally up to £10k, to staff who have retired within the proceeding 12 months and have yet to receive pension payments from the Civil Service Pension Scheme, and to staff who are retiring over the coming months. This will mean one-off interest free loans to current employees who have partially retired but carried on working, and to retirees who are no longer employed. Loans should be repaid once pension payments commence, and we will develop standard recovery principles. The Treasury considers that such payments in line with this approach should not be novel, contentious and/or repercussive.

We are urgently working with Capita and within the Cabinet Office to address support for members who will not be entitled to these loans (e.g surviving spouses and civil partners, those with pension sharing orders and any payments due to employees who retired over 12 months ago). Capita will prioritise these cases and where they are unable to fully process their benefits immediately, they will make a partial pension payment in the interim period to relieve hardship.

In my judgment as Accounting Officer, I have concluded that we should consistently adopt a single loans policy and delivery model for this scheme across the Civil Service but that every department should implement the scheme within this framework utilising common legal advice and a foundation Accounting Officer assessment to be adapted locally. This includes support from the PSFA on measures to reduce potential fraud risk.

Having consulted the Treasury Officer of Accounts who have engaged with the National Audit Office, I consider that this expenditure is in line with existing departmental ambits as part of their ongoing business as usual practice.

I believe that this approach is entirely commensurate with the expectations placed upon me as an Accounting Officer. I have undertaken an Accounting Officer Assessment against the 4 tests outlined in Managing Public Money, and my conclusion is that the approach is regular, proper, feasible and the best for value money option to deliver both Ministers' and Parliament's intent. As set out in Managing Public Money at 3.11.4 "Sometimes, it is possible to do no more than identify the scale of the problem to be tackled and then examine why the proposed action should both be effective and have tolerable cost. Wherever proposals or projects are taken forward, accounting officers shall identify and assess risks, and design and operate the most effective risk treatment activities (including controls) possible in the time available."

I trust you will be reassured that the Cabinet Office is moving at pace bringing expertise from across our system to rectify the challenges that our members are experiencing. I am confident that the actions that I have taken are robust and will recover the work position back to expected service standards at the earliest opportunity.

I would like to reassure you and the committee that this issue has my full focus and that we will recover the position and end any impact to our members over the coming months.

As always I will make myself available to meet to discuss should you or the committee prefer a private briefing.

Yours sincerely,

Catherine Little CB

Civil Service Chief Operating Officer and Cabinet Office Permanent Secretary

CC:
Simon Hoare MP
Chair
Public Administration and Constitutional Affairs Committee