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By Jim Dunton
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Pension scheme crisis: Cat Little explains decision to push ahead with Capita

Cabinet Office perm sec sets out decision ministers had to make and says she has "high level" of confidence that issues will be cleared up by June



Cat Little appears before MPs this morning. Photo: Parliament TV

Cabinet Office permanent secretary Cat Little has told MPs that ministers were made aware of the potential for service disruption in the Civil Service Pension Scheme when they were asked to decide whether to push ahead with a change of administrator last year.

At a session of parliament's Public Administration and Constitutional Affairs Committee this morning, Little was questioned over the backlog crisis in the pension scheme, which has emerged since Capita took over administration in December.

In the runup to the handover – which followed a £239m contract award to Capita in 2023 – MPs and unions questioned the outsourcing giant's readiness to take over running of the scheme from MyCSP.

At a Public Accounts Committee hearing in July last year, Little told MPs she believed Capita **may have underestimated the complexity** of the work involved with the transfer. The firm had missed agreed transition milestones to take on administration of the scheme, which has 1.7 million members. A final go-ahead was only given for the transfer from MyCSP in November, weeks later than had been expected.

It subsequently emerged that Capita had inherited a backlog of 86,000 pieces of casework from MyCSP. The backlog of work had increased to 120,000 cases as of last month and thousands of civil servants have been left without expected payments.

According to the Cabinet Office, it is expected to take until June for the pension scheme returns to normal service levels, with Little saying in today's PACAC session that "there is a high-level of confidence that we are on track to achieve the recovery plan by the end of June".

At the session, Little was asked directly why the government had made the decision to proceed with the 1 December transfer in the face of concerns about Capita.

"We pushed the decision as far back as we could to give time for Capita to meet the milestones and the detailed go/no-go considerations that we had in place," she said. "At that point the MyCSP backlog had significantly increased and we were up to the 86,000 level. And also at that point Capita had given significant assurances about the level of technological investment, about the transition plan, which had gone through our due diligence processes, and we had discussed the level of risks about how that backlog would be managed and what contingency arrangements would be needed directly with the chief executive of Capita."

'Very difficult decision'

Little said that by November, MyCSP's contract could not have been extended further and so sticking with the provider would have involved doing so without a commercial contract.

She said the "very difficult decision" put to ministers had been whether they wanted to continue with MyCSP without commercial protections, but with an increasing backlog of work, or move to Capita, "with more investment, more resource and a much tougher contract".

The Cabinet Office perm sec said the department's view was that proceeding with the change of administration to Capita was a way to get the backlog down and manage the Civil Service Pension Scheme in a "more effective way".

“I don’t in any way like giving that sort of advice to a minister,” Little told MPs. “In those sorts of situations I’m saying, basically, do you want to continue with a poor service that looks like it’s going to get worse with no commercial protection. Or do you want to move to a new service that is highly risky and complicated and has some different challenges.”

PACAC chair Simon Hoare suggested the choice was akin to “death by hanging or electrocution”.

Little said Hoare would have to ask the minister – Nick Thomas-Symonds – how he had felt. But she said such judgment calls were common in big service transitions.

“I saw it as our job to look at all of the risks and put in place the mitigations that we felt we could put in place, which included preparations for serious service challenges,” she said. “Which, sadly, is where we ended up.”

Little said the Cabinet Office had conducted a “huge amount” of due diligence on the Civil Service Pension Scheme contract before making the final decision to proceed, including meetings between the Cabinet Office minister and Capita’s chief executive.

“We did seek specific assurances on the backlog and on the contingency plans,” she said. “Sadly, these assurances on contingency were needed.”

In late January, the Cabinet Office and Capita announced the creation of a surge team to help deal with ongoing service-level issues in the pension scheme following the transfer of administration to Capita.

Around 150 civil servants have been drafted in as part of a taskforce being led by HM Revenue and Customs second permanent secretary Angela MacDonald. Part of the contingency response has involved the creation of hardship loan schemes

for pension-scheme members left in particular difficulty by the non-payment of their pensions or lump sums.

Hardship loans update

All civil service employers are supposed to offer hardship loans to former staff in need who have retired in the last 12 months. Last week it emerged that **116 out of 223 in-scope civil service employers had** at that point confirmed they have put schemes to pay out hardship loans in place.

Today, Little said her understanding is that the organisations that have not set up schemes have not seen any retirements over the past 12 months and so have no-one eligible for a hardship loan.

“A lot of our arm’s-length bodies are very, very small employers,” she explained.

MPs were told that, so far, civil service employers have made 547 loans, worth a combined £2.9m.

Portal problems

Elsewhere in the session, taskforce lead MacDonald told MPs that around 122,000 Civil Service Pension Scheme members are still shut out of the new portal for the scheme that launched in December.

She said the issue affected those who may have had “more than one stint of service in the civil service”.

She said the problem was “a data issue” that the taskforce is working on.

MacDonald told MPs that Capita has a target of delivering full functionality for the new portal by the end of March and that she is confident that will be achieved.

She also told MPs that a review of the service issues related to the transfer of CSPA administration is expected to launch in early summer.