GROUP CIRCULAR 997 / 26

To: Branches, Groups and Executive Council 03 November 2026

Dear Colleague

1) Update on the Civil Service Pension Scheme and Capita
2) Budget 2026 - Analysis

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1) Update on the Civil Service Pension Scheme and Capita

In **Group Circular 993/26** Jonathan Safir advised that a Ministerial Statement was anticipated during mid to late October, which would update on the progress and recovery of the Civil Service Pension Scheme.

The Cabinet Office Parliamentary Secretary Sally Jameson MP delivered a statement to the House of Commons on Monday 26 October.

For those wishing to watch the statement in full, it can be viewed on Parliament Live TV from 15:46:49.

Parliamentlive.tv – House of Commons

Below is a summary of the Minister's presentation and points made by MPs in the q&a that followed.

Capita Contract Performance and Government Oversight

Sally Jameson noted that the contract awarded to Capita in 2023 aimed to resolve significant performance issues inherited from the previous provider. However, Capita missed recovery milestones in April and June and consequently, the Government intervened by appointing an independent auditor and a remedial adviser at Capita's expense. She reported that Cabinet Office officials now had full access to Capita's systems and data and were working closely to develop a credible recovery plan focused on technology, data, and case management.

Sally Jameson committed to fortnightly public updates on performance metrics and confirmed that nearly £10 million in payments had been withheld from Capita, who had voluntarily accepted a 10% reduction in monthly payments. She rejected the use of "workable" and "nonworkable" case categories, emphasising that cases were either resolved or unresolved, with priority given to those approaching critical thresholds to avoid tax consequences. She said that the Government was considering all options,

including insourcing the scheme, and had contingency plans should contract termination become necessary.

Anna Dixon MP and Mike Martin MP reiterated that Capita remained contractually responsible for rectification, with ongoing consultations involving trade unions and pension experts to determine the best operational model.

Kate Osborne MP referenced the Procurement Act 2023 as a new mechanism to address poor contractor performance, though investigations or debarment cases could not be publicly discussed due to legal constraints.

Operational Challenges and Technology Failures

Sally Jameson herself, and other MPs described systemic operational failures, including teams who were overwhelmed, incorrect pension quotes, and inadequate technology.

She criticised Capita's claims of an AI-enabled pension scheme as misleading, stating that the technology had been insufficient to meet demands.

She set out that nearly 150 Cabinet Office staff had been deployed to support Capita in clearing the backlog, alongside additional investment in automation technology, though challenges remained significant.

Constituent Cases and Compensation Issues

Numerous MPs, including Mike Wood MP, Lisa Smart MP, Patricia Ferguson MP, and Frank McNally MP, shared distressing constituent cases involving lengthy delays, incorrect payments, poor communication, and financial hardship. Cases highlighted included bereavement and ill health retirement claims delayed for over 100 days, lost paperwork, and incorrect pension quotes causing hardship and distress.

Sally Jameson expressed sympathy for affected individuals and invited MPs to submit cases to her to follow-up personally. She confirmed that compensation claims would be handled through Capita's internal dispute resolution process and, if necessary, the Pensions Ombudsman. She acknowledged the complexity of tax implications arising from delayed payments.

The Minister also committed to improving responsiveness and exploring ways to increase capacity for casework surgeries.

Accountability and Contractual Penalties

The Minister emphasised that Capita remained accountable for service delivery and faced commercial levers, including withheld payments and

contractual breaches related to missed deadlines on priority cases. She confirmed that the Government was monitoring the rectification plan fortnightly and would return to Parliament with updates and further actions if improvements were insufficient.

The independent remedial adviser's report is to be shared confidentially with parliamentary committees, with a public summary under consideration. It will not be published publicly due to commercial sensitivities.

Members expressed scepticism about Capita's ability to deliver despite Cabinet Office involvement, with calls for decisive government action including contract termination and insourcing.

Jon Trickett MP and Clive Betts MP emphasised the need for accountability, while Sally Jameson reiterated confidence in the current plan due to enhanced oversight and data access.

Transparency, Communication, and Member Support

Several MPs, including Katrina Murray MP, raised concerns about Capita's transparency, particularly regarding complaint closures and case progress. Sally Jameson acknowledged previous inaccuracies in reporting and committed to ensuring transparency through direct Cabinet Office access to data and fortnightly public updates. She condemned reports of disrespectful treatment by Capita helpline staff and pledged to address such behaviour.

Paul Foster MP proposed establishing a Cabinet Office hotline and regular surgeries for MPs to support constituents, with Shockat Adam MP emphasising that improving Capita's service was essential for meaningful outcomes.

Jim Dickson MP noted that lessons from Capita's failings would inform the Department for Education's transfer of the teachers' pension scheme to Tata, reinforcing the Government's commitment to insourcing public services.

Impact on Vulnerable Constituents

MPs recounted distressing cases involving vulnerable individuals, including terminally ill patients, elderly pensioners, and bereaved families facing severe hardship due to delayed or incorrect pension payments. Jim Allister KC MP and Joshua Reynolds MP described cases where payments had been delayed for months or years. The Minister expressed sympathy and committed to prioritising such cases and following up on individual correspondence urgently.

Future Monitoring and Government Commitment

The Minister reiterated the Government's commitment to ensuring no pensioner was financially worse off due to Capita's failures and to recouping public funds spent on rectification. She pledged to monitor the rectification plan closely, provide regular parliamentary updates, and take further action if necessary, including considering insourcing the scheme.

The statement concluded with an acknowledgement of the widespread hardship caused and a commitment to sustained parliamentary engagement to restore trust and service quality for civil service pension scheme members.

CSPA View

Our priority remains ensuring that members' concerns are heard, understood and acted upon. While the Minister's statement acknowledged the scale of the problems facing the Civil Service Pension Scheme, many members continue to experience unacceptable delays, poor communication and uncertainty regarding their pensions. Our focus remains on ensuring that pension scheme members receive the service they deserve and that those who have suffered hardship are not left without support.

CSPA meets weekly with both Cabinet Office and Capita officials to raise and resolve individual member cases, monitor progress against recovery plans and challenge ongoing service failures. We also continue to engage with MPs from across Parliament to highlight the wider concerns affecting scheme members and to ensure that these issues remain high on the political agenda.

Additionally, I have written to the Chair of the Public Accounts Committee, Sir Geoffrey Clifton-Brown MP and Simon Hoare MP, Chair of the Public Administration and Constitutional Affairs Committee, offering to share the experiences and concerns of pension scheme members and pensioners in any further examination of Capita's failings. We received positive responses and are scheduling meetings in the next few weeks.

We welcome the Minister's commitment to greater transparency, regular performance updates and stronger oversight of Capita's performance. However, we will judge progress by outcomes and will continue to advocate for members until service standards are restored and confidence in the scheme is rebuilt.

Here is Civil Service Pensions Taskforce Update #19

This is also included as an attachment to this circular.

The Taskforce Update outlines the new recovery plan for Capita, the updated performance figures, and revised timescales for the delivery of important projects, including the 2015 Remedy (McCloud) programme.

Tax treatment of pension death benefits under the two-year rule

Following concerns raised by Sir Geoffrey Clifton Brown, Chair of the Public Accounts Committee (PAC), about the impact that administrative delays can have on bereaved families, where a benefit becomes taxable because payment was not made within the statutory two-year period, the Minister for Pensions, Torsten Bell MP clarified the situation on 28 October 2026.

The Government has removed the two-year deadline for pension and lump sum death benefits to be paid tax-free where the member died before age 75. Under the change, payments made on or after 28 October 2026 will no longer become taxable solely because more than two years have passed since the pension scheme first knew, or could reasonably have been expected to know, of the member's death. The existing requirements relating to the deceased member's age and availability of Lump Sum and Death Benefit Allowance will continue to apply.

The change will apply to payments made from 28 October 2026, including payments relating to deaths that occurred before that date. It will therefore protect beneficiaries awaiting payment when the change takes effect.

Where a payment made before 28 October 2026 was correctly taxed under the law then in force, the Budget change will not itself provide a repayment. However, where a beneficiary considers that an avoidable delay by a pension scheme administrator caused them financial loss, they should pursue the matter through the scheme's complaints and redress arrangements and, where necessary, the Pensions Ombudsman.

2) Budget 2026 – Brief Analysis

Key Issues Affecting Older People

Pensions

The Budget contains several significant pension announcements.

The Government announced a new Pension Tax Allowance (PTA) during this Parliament, designed to prevent pensioners from paying income tax solely because State Pension increases push their income above the Personal Allowance. The allowance will apply automatically to those of State Pension age with annual incomes of up to £13,037, providing tax relief worth up to £94 a year.

The Government's Pensions Commission will publish its final report in February 2027, setting out recommendations to ensure private pensions deliver adequate, fair and sustainable retirement incomes. This could shape future policy on pension saving levels, retirement outcomes and pension adequacy.

Further pension reforms will include measures to encourage Defined Contribution pension consolidation, a new Guided Retirement framework, and the introduction of Retirement-only Collective Defined Contribution (RCDC) schemes. Additional flexibility will be provided around pension protections and transfers between schemes.

Triple Lock

The most significant long-term change is the Government's decision to change the Triple Lock from 2030. The State Pension will rise each year by the highest of inflation, 2.5%, or the amount needed to maintain the State Pension's value relative to earnings over time.

The practical details of how the revised triple lock will operate after 2030 have yet to be fully set out. While the Government says it is committed to protecting pensioners against inflation and maintaining the State Pension's value relative to earnings over time, the absence of a clear mechanism has led to concerns among pensioners and representative organisations that future increases may be less generous than under the current system, potentially leaving some worse off in the long term.

Ministers estimate this will reduce State Pension spending by £15 billion annually by the late 2030s and £50 billion annually by the late 2040s.

Although the Government argues this improves the sustainability of public finances, many older people will be concerned about the impact on the

future value of the State Pension and whether future increases will continue to keep pace with living costs.

The proposals are intended to support the creation of a National Care Service in England. However, questions remain about how a policy focused on England will interact with the devolved responsibilities for social care in Scotland, Wales and Northern Ireland.

A Barnett Formula-style funding arrangement is widely viewed as the most likely mechanism for distributing additional resources across the UK, the Government has yet to set out the detailed funding and governance arrangements.

Social Care and NHS

The Prime Minister and Baroness Casey have agreed that the Independent Commission on Adult Social Care will report in 2027 rather than earlier as originally anticipated.

For older people, this means continued uncertainty around some of the biggest challenges facing the care system, including affordability of care, support for unpaid carers, workforce shortages, access to home care services and the long-term funding of adult social care.

The Budget also provides an additional £190 million for NHS services in England to help manage winter pressures and rising demand. Though this additional funding may help alleviate immediate pressures on hospitals and community services, it is not expected to address the wider challenges associated with an ageing population, delayed hospital discharges and increasing demand for health and care services.

Energy Bills and Cost of Living

The Government will extend the temporary 0% VAT rate on qualifying domestic electricity supplies until July 2027. This is expected to reduce the annual Ofgem price cap by around £50 from April 2027.

A new £2.6 billion Household Energy Payment scheme will provide £100 direct payments from January 2027 to households in Council Tax Bands A-D in England. Up to 20 million households are expected to benefit, including many pensioner households.

The Government has also committed not to add new policy costs to household energy bills before introducing a new Cost Control Framework at the 2027 Spending Review.

In addition, Ofgem has been asked to abolish domestic gas standing charges by the end of 2027, with proposals for electricity standing charge reform to

follow. This could particularly benefit many pensioners and single-person households that use relatively small amounts of energy.

Despite these measures, energy costs remain a significant concern for many older people, particularly those on fixed incomes who continue to face pressures from food inflation, housing costs and council tax increases.

Overall Impact for Older People

The Budget provides some immediate financial support through energy bill assistance, protection from unintended tax liabilities for some pensioners, and reforms intended to strengthen private pension provision for future pensioners.

However, the delayed timetable for social care reform and the decision to amend the Triple Lock are likely to be the most significant issues for older people in the years ahead.

While short-term support is welcome, many pensioners will be looking for greater certainty on the future value of the State Pension and long-term improvements to the social care system.

You can read the full Budget on: Budget 2026 (HTML) - GOV.UK

If you have any questions or require any further information about the matters covered by this Group Circular, please don't hesitate to contact me, either by email at josie.irwin@cspa.co.uk or by telephone on **020 8688 8418 (Office).**

Kind regards,

Josie Irwin

Josie Irwin
General Secretary