

News release

Embargoed until 00:01 hours, 25 June 2019

Failed IT project sets back pensions body

An IT project that ran into difficulties has cost Scotland's public sector pension body millions and set its planning back significantly, says the spending watchdog.

The Scottish Public Pensions Agency (SPPA) runs retirement plans for over 500,000 people, including NHS employees, teachers, firefighters and the police.

A plan to integrate its pension administration and payment operations faltered when the chosen supplier, Capita, was not able to provide a working system. However, auditors say the SPPA did not apply enough scrutiny to Capita's bid, which was abnormally low, and set an unrealistic timetable for the project.

The pensions body spent £6.3 million on the project, which aimed to make its processes more efficient and achieve long-term savings. Ending the IT scheme meant it had to spend a further £2.4 million on extending contracts with existing suppliers. The SPPA received a sum from Capita following the settlement of a dispute but has been left with a £23m gap in its revenue and capital budget over the next five years.

Caroline Gardner, the Auditor General for Scotland, said: "The public sector is under pressure and we are seeing more instances of bodies embarking on IT projects without the necessary staff and assurance arrangements in place to manage them properly.

"In this instance, I found no evidence of a clear business case for a new integrated system, which was pursued at a time when the SPPA was going through significant change. The result was a project that failed to provide value for money and has considerably set back the SPPA's planning."

ENDS

The Auditor General is available for broadcast bids from 1-2pm and 3.45pm-4.30pm. For further information contact Patrick McFall Tel: 0131 625 1663 / 07786660171 pmcfall@audit-scotland.gov.uk or media@audit-scotland.gov.uk

Notes to editors

1. The SPPA's Audit & Risk Committee was advised by officers that the SPPA spent approximately £6.3 million on the project. This includes £0.8 million paid to Capita. The remaining expenditure covers contract extensions with incumbent suppliers, internal staff costs, software licence costs and specialist project support. The SPPA has written off £1.6 million in software and hardware that will no longer be used.

2. The SPPA has spent a total of £4.7 million extending contracts with incumbent suppliers - £2.3m during the course of the project and £2.4 million after it was scrapped.

3. The sum recovered from Capita is detailed in the Auditor General's s23 report on the SPPA.

4. The failure of the project has meant that the SPPA has not been able to progress its strategic, business and workforce plans as originally intended. This includes its Target Operating Model (TOM) to deliver services more efficiently.

5. The SPPA's existing IT supplier contracts have been extended to 2024. In the meantime, it is undertaking a new project to improve its administration and payroll system and set up web portals to allow customers to access their pension details online.

6. The SPPA estimates it needs capital allocations of £13.6 million from the Scottish Government over the next five years to achieve its aims. The SPPA also requires an additional £9.8 million in its revenue budget to cover the anticipated efficiency savings it failed to make due to the abandonment of the Capita-led IT scheme.

7. An external review of the project by the Office of the Chief Information Officer (OCIO) was requested by the SPPA's chief executive in November 2016, after Capita informed the SPPA that it would need to be able to meet a go-live date of March 2017. The OCIO rated the project as 'amber' and found the procurement was conducted in a robust and professional manner. The Auditor General has not seen evidence to support this conclusion by the OCIO. Her judgment is that the SPPA did not have enough assurances over Capita's ability to deliver the project before it awarded it the contract.

8. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

- The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
- Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.