

Divisional strategy and performance continued

People Solutions



People Solutions provides a full suite of HR offerings across the employment life cycle.

They include leading market positions in recruitment process outsourcing (RPO), learning process outsourcing, HR service (including payroll), and pensions and benefits administration, which are supported by our proprietary digital platforms, Orbit, Hartlink and Tessello.

We also provide attraction, screening and performance management services, and best-in-class fire prevention and protection training facilities from the Fire Service College.

Our strategy

In April 2018, we brought our existing HR businesses together under a single leadership team for the first time, to create the People Solutions division.

Our strategy is to derive benefits from the new structure, by creating and leveraging a single sales engine and realising cost savings.

We are investing in our core products and platforms, developing a suite of new products and solutions, strengthening our analytics capability and growing our scalable, repeatable solution.

Adjusted revenue
£498.3m

2017: £520.5m

Order book
£715.3m

2017: £786.5m

Adjusted operating profit
£40.7m

2017: £62.7m

Adjusted operating margin
8.2%

2017: 12.0%

Employees
5,800

Key regions

- UK
- US
- India
- Europe

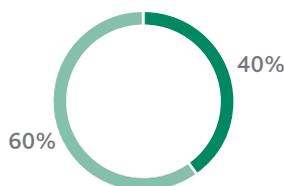
Key services and contracts

- Screening
- Recruitment
- HR services
- Learning services
- Corporate benefits
- Pension administration
- Army recruitment

Key markets

- Financial services
- Central government
- Local government
- Technology
- Utilities
- Defence
- Education

Revenue by market



- Public sector
- Private sector

Revenue by type



- Long-term contractual
- Short-term contractual
- Transactional



Strategic priorities 2018–2020:

- Integrate multiple HR businesses into a single end-to-end HR services business.
- Upgrade core products and technology platforms across key client services.
- Develop an enhanced external and cross-divisional sales function and culture.
- Invest in value-add advisory and analytics services to enhance core HR offering.
- Build on and replicate existing solutions to achieve scale.

2018 progress against strategic priorities:

- Creation of a new division with new leadership team and operating model.
- Investments in people and process to address specific operational under performance.
- Investments made in sales, technology platforms and digital.
- Met cost-out targets.
- Identified additional opportunities for automation and offshoring.
- Cultural change programme aligned with Capita-wide, refreshed values and behaviours.

Divisional financial summary

	2018 £m	2017 £m	change %
Adjusted revenue	498.3	520.5	(4.3)
Adjusted operating profit	40.7	62.7	(35.1)
Adjusted operating margin	8.2%	12.0%	
Order book	715.3	786.5	(9.1)

Our markets and growth drivers

The UK market for people services was valued at £6bn in 2018 and is expected to grow at an annual growth rate of 5% through to 2022 (source: Nelson Hall). Capita is a leading provider in most segments, including benefits administration where we have an 8% market share, learning process outsourcing with 21% market share and recruitment process outsourcing with 12% market share. The market is being driven by a customer propensity to buy digital self-service, a move away from large-scale contracts to modular product buying, where customers require expert advisory support as they transition to digitally-enabled operating models. In the learning market there is a shift away from traditional classroom training to online personalised and informal development, and the market is experiencing consolidation. Players with digital platforms and access to data and analytics are likely to innovate and win market share.

Financial performance

Adjusted revenue fell by 4.3% as a result of declines in our transactional businesses Capita Resourcing and Learning Services, which were impacted by the transition to a new public sector training framework, previously Civil Service Learning, and the transfer of the Contingent Labour One (CL1) public sector resourcing contract to a new provider in the second half.

Adjusted operating profit decreased, reflecting the above decline in revenue, investment to strengthen the business and lower margins in Employee Solutions, which have yet to be offset by cost reduction actions.

Sales and operational performance

Our forward order book was £715m at year-end. We signed a number of new contracts in the year, including the provision of resourcing services for the Home Office and German energy company Innogy, the management of apprenticeships for the Department of Work and Pensions and provision of learnings services for Vodafone. We also extended our learning services contract with a major retail bank.

We started investments in: the development of a digital onboarding product to complement our suite of 'hire to retire' services; the next generation of the Orbit benefits platform, onto which a number of clients were migrated; our KnowledgePool learning booking system; and the candidate portal of our pre-employment screening system to improve customer experience.

We have re-set our partnership with the Army on the Recruiting Partnering Project (RPP) at a senior level and the contract is starting to show signs of improvement. The number of regular soldier recruitment applications were at a five-year high at the time of writing this Annual Report and we're working hard to reduce the amount of time it takes to be offered a job in the Army. The contract aims and performance were the subject of an National Audit Office report in December 2018, the findings of which related to what are now largely historical contract issues, and we attended a Public Accounts Committee with the Army in January 2019. We have been open about mistakes made in the past and we know there is still a lot for us to do to deliver on our commitments.

