

5. Maintaining performance across our divisions

Each of our seven operating divisions consists of a number of businesses and major contracts. Every business is aligned with the Group's overall objectives and strategy.

Every business works to an annual business plan which sets out financial targets and the research, development and resources required to meet or exceed the plan. Performance is reviewed monthly and adjustments to spend, activity and resources are made where necessary.

Transforming Salford's regeneration

Urban Vision, our unique joint venture with Salford City Council and construction group Morrison, supports the city's continuing regeneration. Responsible for planning and business control, engineering and highways, property and business development support, facilities management and building design, it has played a key part in a fourfold increase in investment in the city's roads to around £7m a year.



400 council employees seconded



Capita's property consultancy

The divisional structure supports a robust, individual focus for each business while providing ready access to the Group’s wider resources, expertise and economies of scale.

The common aim is to deliver service excellence and generate profitable growth through:

- A. Aligning each business with the Group’s overall objectives and strategy
- B. Investing in service and product development and appropriate sales and marketing activities
- C. Maintaining a simple, pragmatic divisional structure to share resources and economies of scale.



New procurement framework



80
new jobs

By creating a more flexible workforce and enabling staff to work more closely together, Urban Vision has made considerable efficiency savings which can be reinvested in further service improvement.

Through partnership with our property consultancy, Capita Symonds, Urban Vision has helped the Council cut property costs while improving the office environment, boosting staff morale and supporting recruitment and training. It has also won new work designing flagship schools under the Building Schools for the Future (BSF) initiative. When the Council’s landscape design team was seconded to Urban Vision, it was short of work and jobs were at risk. Two years on, it has a full workload and a good forward pipeline.

Our business goal and strategy Maintaining performance across our divisions

We maintain a simple, pragmatic divisional structure that delivers our Group strategy

A. Alignment with Group strategy

The operating divisions and the businesses within them all follow the Group strategy of securing strong, sustainable growth, both organically and by acquiring complementary businesses.

Each business produces its own annual business plan outlining specific strategies and considerations and setting performance targets for the following year. The MOB process described on page 16 ensures regular monitoring and reporting of performance against targets and is an effective forum for planning ahead, solving issues and sharing expertise and support.

B. Individual business tactics

With a focus on continuous growth, each business undertakes appropriate tactics to achieve or maintain market leading positions. Research and development initiatives underpin the constant development of products and services to meet the current and future needs of clients. Businesses adopt the most appropriate marketing and sales activities to address the characteristics of their individual marketplaces.

C. A flexible divisional operating structure

We have created a pragmatic, flexible structure which is regularly refreshed as the Group develops. We move businesses, contracts and managers across the divisions to ensure the best match of leadership and resources as the Group grows. The businesses benefit from the powerful combination of individual focus and the ability to reach out across the Group to share operational skills and resources, benefit from economies of scale, create and deploy innovation, and harness the best of ICT and business processes.

We are currently organised into seven operating divisions, plus a Group Sales and Marketing Division. Each operating division brings together activities with similar operating models or client bases. Each major contract secured by the Group sales team is managed within the division which best meets its operational, regulatory and management requirements.

Group-wide support services, such as finance, legal and commercial, property management, procurement, health and safety and environment and HR, report directly to Group Board Executive Directors to ensure robust control, consistent standards and shared benefits across the Group.

1. Integrated Services

TV Licensing
Criminal Records Bureau
TfL Congestion Charging
Central government services
Administration services
Business travel
Offshore

2. Professional Services

Software services
– Private sector
– Education
– Local government
Local government services
Strategic children's services
Local government partnerships
– Blackburn with Darwen BC
– Swindon BC
– Southampton CC

3. HR Solutions & Property Consultancy

Integrated HR solutions
Resourcing
Veredus
Capita Symonds

4. Financial Services

Shareholder services
Financial administration services
Trust services
Sector

5. Life & Pensions

Life & pensions
Capita Hartshead
SIP services

6. Insurance & Specialist Services

Insurance services
– Outsourced solutions
– Specialist services
– Teceris
Legal services
Occupational health
Customer contact centres
– eircom
– DSGi

7. ICT & Advisory Services

Service Birmingham
Harrow Council
IT services
Mission assurance & testing
Advisory services
Communications

Progress across our divisions in 2007

1. Integrated Services

contains all of our major central government contracts and our offshore operations.

	2007 £m	2006 £m
Turnover	302.4	300.9
Operating profit	46.6	46.6
Operating margin	15.4%	15.5%
Capex	9.9	16.6

2007 developments

- **TV Licensing:** Great strides have been taken to reduce the cost of operation. More usable interfaces have been designed to improve the human interaction with legacy IT systems. Intuitive and windows-based interfaces will cut down the time spent training newcomers on the system by over 70% (from seven weeks to two), and will improve transaction handling times by over 20%. In the back office, intelligent workflow systems have further enhanced the ability to transition non client facing work to Capita's offshore facility in Mumbai. This innovative system has increased the automation of simple transactions. These initiatives have increased productivity and delivered cost efficiencies.
- **TfL Congestion Charging:** The Western Extension Zone (WEZ) was effectively and smoothly implemented on 19 February 2007 and we have continued to deliver good service across the extended zone. The contract to deliver the congestion charging scheme across London was not re-awarded to Capita and the contract will finish at the end of November 2009. The Low Emission Zone (LEZ) was successfully implemented on 4 February 2008.
- **CRB:** With over 15m disclosures issued and 92% customer satisfaction, the CRB Capita partnership is in its fifth year. We continue to enhance the service by progressing phase two of the online tracking service and bringing additional data sources into the PLX checking process, which now totals over 60m records. The contract was awarded silver at the Kablenet government innovation awards and gained the prestigious ISO14001 environmental management accreditation.
- **Capita Business Travel:** Following the rebrand in January 2007, from Lonsdale Travel to Capita Business Travel, the business has secured new sales contracts worth £34m and retained 100% of its top 10 customers – who undertook formal tender processes as contracts expired in 2007. New and renewed contracts have come from public and private sector businesses such as Yell, Alfred McAlpine, Royal Mail Group and OGCbuying.solutions. A strong service reputation and new operational technology and procedures have played key roles in this success. The new online booking technology has been well received by customers.
- **Offshore Services:** Our offshore operation grew strongly in the year and played a key role in securing major contracts, including with Resolution and Prudential. It is now the Group's largest multi-client service centre, employing 1,300 staff and processing more than 1m transactions a month. It is fully representative of the Group, servicing both public and private sector contracts and supporting a number of Group businesses.

2008 priorities

- Continued delivery of operational excellence for clients, thereby strengthening client relationships and gaining vital references for future opportunities
- Continued focus on introducing innovation and alternative service delivery models, including offshoring, to increase quality and efficiency across contracts
- Focus on employee retention and training to maintain consistency of service for our long term clients
- Closer working with the Group Sales Team to identify new sales opportunities, extend relationships and explore service delivery models.

2. Professional Services

comprises our local government services and all our software businesses as well as Capita Strategic Children's Services.

	2007 £m	2006 £m
Turnover	264.3	191.7
Operating profit	48.1	37.4
Operating margin	18.2%	19.5%
Capex	8.1	6.7

2007 developments

- **Local Government Services:** Continued its strong performance in 2007, successfully completing Phase 2 of our 10 year partnership with Swindon BC and becoming preferred bidder for Hart DC, a 10 year deal worth approx £10m. We also began our 15 year partnership with Southampton CC in October. Our service offering has been expanded to meet the growing demand from clients, in particular for customer services and procurement activities.
- **Local Government Software Services:** Our local government service and software businesses continue to work closely together to help clients increase operational efficiencies to meet the challenges set out in the Comprehensive Spending Review. We continue to set the highest standards for our products and have become the first major supplier to local government to achieve the Payment Card Industry Data Security standard (PCI DSS) for our payment management products and services.
- **Children's Services:** We have successfully brought together and refocused our education service offering in response to the Every Child Matters – Change for Children programme and are recognised as leading providers of consultancy, interim management and software support to children's services authorities. We have increased our market share in existing markets and entered new markets such as software services for Children's Social Care, Early Years provision (through our acquisition of CPFR) and Learning Gateways in schools – providing pupils, staff and parents with secure remote access to information. Additionally, 94% of our further and higher education clients renewed their software licenses for a further three years.
- **Private sector software:** The benefit of integrating our three recent acquisitions – Quay (back office and client relationships), Weblinc (quotation and ebusiness) and Synaptic (life, pensions and investment research) – was demonstrated in 2007 with the release of the Enabler modular website for independent financial advisers (IFAs). By combining and integrating these companies' services, we can enable IFAs to enhance their client service and demonstrate compliance with regulatory requirements.

2008 priorities

- Maintain market share in the local government and education software markets through continued development of new and innovative products to keep pace with changing requirements
- Expand software services private sector offering and increase leverage from other divisions
- Continue to enhance market leading position in local government through joint initiatives with other Capita businesses and through partnerships
- Continue to explore opportunities and synergies across private sector software and document management and imaging services
- Continue to build on the success of our National Strategies contract and further strengthen our relationship with the DCSF.

Our business goal and strategy Maintaining performance across our divisions

Progress across our divisions in 2007

3. HR Solutions & Property Consultancy

comprises our resourcing and property services operations. To provide greater transparency they are reported separately.

	2007 £m	2006 £m
HR Solutions		
Turnover	245.9	205.9
Operating profit	23.4	17.7
Operating margin	9.5%	8.6%
Capex	3.9	4.4

2007 developments

→ **Integrated HR Solutions:** In 2007 we continued building on the foundations developed in 2006. The BBC HR and Northern Ireland Civil Service contracts are now established and operational. New HR outsourcing contracts with Swindon BC, Southampton CC and Leicester and Rutland NHS Consortium went live. Our focus remains on developing further our strong HR capability across HR strategy, resourcing and payroll administration, learning and development and outplacement, positioning us uniquely in this market.

Following the acquisition of NHS Partners from North Bristol NHS Trust, this business is focused on three areas: employee and patient surveys, remuneration strategies and HR information service. The acquisition complements our HR business strategy and gives us a further foothold in the extensive NHS market.

- **Resourcing businesses:** These continue to perform well. Capita Resourcing has experienced very good growth, successfully winning a new managed service contract with EDF Energy and seeing strong growth across its niche recruitment businesses.
- **Assessment and Testing:** This specialist business has developed further longer term contracts, supporting clients such as BAA.
- **Capita Education Resourcing:** Continued to make steady progress in 2007 with an increase in Teacher Supply days, particularly in its Further Education Division which increased volume by 69%.
- **Capita Recruitment Vetting Service:** Had another very successful year with growth of 96%. It is now the second largest CRB Umbrella Body in the UK.
- **Veredus:** Our senior search and selection brand had a very strong, profitable year across both public and private sectors.

2008 priorities

- Manage the smooth transfer and implementation of new integrated HR contracts
- Develop additional products and services to penetrate new and existing clients, and make further acquisitions to develop or consolidate our position
- Promote our offshore capability where appropriate to clients
- Support Group sales team to sell integrated HR propositions as separate contracts and as part of a wider BPO partnership
- Continue to seek synergies across resourcing businesses and focus on managed resourcing partnerships to secure longer term relationships.

	2007 £m	2006 £m
Property Consultancy		
Turnover	231.9	199.4
Operating profit	19.3	12.8
Operating margin	8.3%	6.4%
Capex	2.7	3.1

2007 developments

- **Growth:** We are now the UK's sixth largest multidisciplinary property and infrastructure consultancy.
- **New business:** we secured framework wins from Network Rail, TfL, OGC, Environment Agency, Exxon Mobil, London Development Agency (LDA) and the Olympic Development Agency (ODA) – and were appointed as architect for BAA's £300m Heathrow Terminal 5 Concourse C.
- **Durham City Council:** We secured a two-year extension to our Civil Engineering Services strategic alliance with the Council.
- **Wembley National Stadium:** We are project managers for Wembley National Stadium, which hosted its first FA Cup Final in May 2007.
- **Integration:** We consolidated our architectural services under the Capita Architecture brand and successfully integrated some 200 staff as part of Group strategic partnerships with Southampton CC and Swindon BC.
- **Organisation:** We restructured and strengthened the Executive Board under new leadership.
- **Recognition:** We were listed as 'One to Watch' in the 2007 Sunday Times Best Companies To Work For Survey .

2008 priorities

- Continue to work closely with Group sales team to provide added value integral propositions as part of wider transformation partnership opportunities
- Build on success in selling standalone property propositions to Group clients, particularly in local government
- Continue to foster close working across property and infrastructure disciplines to accelerate organic growth
- Focus on senior-level relationships with top 30 clients
- Increase presence on procurement frameworks to expand access to opportunities across wider markets.

4. Financial Services

contains our shareholder, financial and trust administration and treasury services businesses.

	2007 £m	2006 £m
Turnover	156.9	120.8
Operating profit	37.3	31.5
Operating margin	23.8%	26.1%
Capex	3.8	3.6

2007 developments

- **Another excellent year of growth:** Revenue growth was strong across all our operations – for instance Capita Registrars' turnover grew by 22% to £61m. We processed 6,300 corporate action events with a combined value of £51bn, issued over 7m cheques and administered 130 IPOs (gaining 54% market share).
- **Organic growth:** Strong organic growth was driven by new products – such as NHS Membership and governance services, Tracing Solutions and SAYE administration – and the renewal of long term contracts with two of our largest share registration clients.
- **Official Solicitor & Public Trustee:** We successfully implemented our outsourcing contract.
- **Combining Group skills:** our joined-up approach with Life & Pensions was a key differentiator in winning the Co-operative Insurance contract. Over 150 former Co-operative staff transferred to our Fund Administration operations.
- **New start-up businesses:** We opened operations in the Isle of Man (Registration), Guernsey (Fund Administration) and Dublin (Trustee Services).
- **Acquisitions:** During the year we acquired the Trust & Fiduciary operations of PwC Channel Islands and Global Fund Administration in Gibraltar.
- **Offshore:** As part of our continuing collaboration with offshore colleagues, we designed and implemented a new product specifically to be 100% delivered from our Indian operations.
- **Growing market demand:** Increasing complexity in design and delivery of products, such as the increasing use of derivatives in unit trusts, and increasing regulatory complexity – such as the Market Abuse Directive, 3rd EU Auto Money Laundering, MiFID, TCF initiatives and new Companies Act – continue to provide impetus for outsourcing in the industry.

2008 priorities

- Maintain high levels of regulatory compliance across the business and continue to develop solutions to help our customers comply with their regulatory obligations
- Develop and implement new and more advanced administration systems to reduce risk and increase efficiency via greater straight-through processing and automation
- Drive margin expansion by relocating jobs to lower-cost delivery areas in England and India and rationalising operational infrastructure
- Pursue further appropriate acquisitions, including selective investigation of some Western European jurisdictions.

5. Life & Pensions

comprises all our life & pensions businesses including open and closed book, occupational pensions and SIPP administration.

	2007 £m	2006 £m
Turnover	255.5	184.3
Operating profit	31.6	22.7
Operating margin	12.4%	12.3%
Capex	23.2	18.4

2007 developments

- **L&P outsourcing:** We are the leading outsourcing provider in this area with over 50% of contracts let. With the start of the Prudential contract in April 2008, we will be administering 22m life, savings and pensions policies. This market continues to be very active.
- **New business:** During the year we have successfully transitioned the Co-operative Insurance and Resolution businesses into Capita. Both these major contracts have performed well in the first few months.
- **IT development:** We continue to work closely with Mastek on developing the next generation of the Elixir software that is currently used across a number of clients. The new version will become available in 2009.
- **SIPPs:** In recognition of the increasing influence of key IFA groups and distribution as a whole in the UK life and pensions market, we have extended our open funds access platform supporting our SIPPs business into a more generic WRAP-based capability. This allows key distribution firms to have 'straight-through' access to a broad range of providers and funds.
- **Capita Hartshead:** Our business continues to perform strongly. Recent acquisitions have significantly increased our actuarial capacity, which will attract new clients and extend the range of services to existing clients.

2008 priorities

- Maintain high levels of compliance across the business and develop solutions which help clients meet increasingly complex regulatory requirements
- Achieve further economies of scale by processing a greater number of contracts through our existing infrastructure
- Achieve a smooth transition of services from Prudential
- Continue to extend our trading platform across multiple distributor groups and UK blue chip providers
- Continue to develop our technology platforms to help clients bring new products to market faster
- Continue to build offshore capability into existing contracts and new proposals
- Continue to grow our presence in occupational benefit consultancy and actuarial services.

Our business goal and strategy Maintaining performance across our divisions

Progress across our divisions in 2007

6. Insurance & Specialist Services

comprises specialist services and outsourced solutions for the insurance market, occupational health services and outsourced customer service centres.

	2007 £m	2006 £m
Turnover	324.5	283.2
Operating profit	36.0	31.3
Operating margin	11.1%	11.1%
Capex	7.2	5.3

2007 developments

- **Insurance outsourcing:** We have recently been selected by Marsh Ltd as preferred partner to transform and deliver its back office administration services, based in Norwich. As part of this agreement, 650 staff based in Norwich and work based in Pune, India, will transfer to Capita.
- **Acquisition:** The successful integration of CMGL (acquired in April) has made us clear leader in providing support services to the London insurance market. This is enabling us to grow revenues strongly across our core propositions of BPO, run-off management services and consultancy.
- **Insurance distribution:** A series of new business successes drove organic growth of the policy books under management by some 40%.
- **DSG international plc:** We generated £120m of sales for DSGi over the year – and this is set to grow following an agreement to handle Currys store telephone calls nationally. We retained the Best Outsourcing Partnership award at the CCA Awards and were runner-up for Best Outsourced Contact Centre.
- **eircom:** Our contracts with eircom continue to develop and grow. Our successful delivery has been reflected in further industry awards in 2007 including Team Leader of the Year at the prestigious Contact Centre Management Association awards.
- **Occupational Health:** This business continues to perform well, winning contracts with a number of new corporate clients and extending its largest single contract with HMRC for a further two years.

2008 priorities

- Maintain high levels of compliance across the regulated and legal businesses and develop solutions which help clients meet increasingly stringent regulatory requirements
- Focus on core markets of insurance distribution, claims services, commercial insurance and BPO to drive organic growth through relationships, market presence and quality services
- Enhance margins through efficient use of technology, management, locations (including India) and cross-selling services across the integrated insurance business
- Continue investment in enhanced technology and shared technology platforms
- Position the business to build on the successful services and sales successes of the past two years in core markets, particularly insurance broking and distribution.

7. ICT & Advisory Services

contains our ICT business which supports the Group's operations and external clients as well as our advisory business.

	2007 £m	2006 £m
Turnover	291.9	252.3
Operating profit	29.0	25.1
Operating margin	9.9%	9.9%
Capex	9.1	4.9

2007 developments

- **Service Birmingham:** ICT transformation substantially completed, resulting in a robust infrastructure and delivery of IT services that consistently meet target KPIs. Good progress in delivery of Business Transformation programmes with Birmingham City Council. Corporate Services Transformation Programme went live in October and is on target to deliver cashable savings of £28m in 2007/08. Over 500 Service Birmingham employees are now co-located in a single state-of-the-art facility. In the annual Computing Awards we won IT Professional of the Year and IT Outsourced Project.
- **Harrow Council:** Just two years into our 10-year partnership, we have delivered £37m worth of savings against our target of £45m savings across the life of the contract. This has been achieved through a series of IT projects (including delivering SAP financial, MI and CRM systems in just 11 months) in tandem with procurement and process efficiency initiatives. In addition we designed and delivered a contact centre and one-stop-shop, enhancing the Council's frontline services.
- **Capita IT Services:** This business continues to support both external clients and internal contracts and businesses. Particular success was demonstrated in local government by the addition of IT support for the Swindon and Southampton partnerships and a contract extension at South Northants DC. In addition, the business continues to develop specific propositions and services to meet market demand such as service portfolio management and virtualised hosting solutions.
- **Mission Assurance and Testing:** In a record year, Mission's recruitment business achieved its largest ever number of permanent placements and increased the number of contractors deployed by 71%. Its consultancy business won significant new business, particularly in the insurance and retail financial services sectors, and extended existing internal and external client relationships. Mission secured its first substantial multi-year managed services contract and first full outsourcing contract involving the transfer of client staff.
- **Capita Advisory Services:** After a change of management and refocusing of services this business achieved an uplift in trading in the second half of the year. It is now well placed for 2008. It secured new client engagements with Breckland DC, Kingston-Upon-Thames BC, NHS Institute and Nottingham Trent University.
- **Capita Communications:** This new business was formed through the integration and refocusing of our design, print and fulfilment operations to deliver outsourced marketing solutions.

2008 priorities

- Continue to deliver and expand local government transformation partnerships
- Continue to support Birmingham City Council in achieving its Business Transformation objectives, establish sales from Service Birmingham to other public sector organisations and achieve ISO 2000 accreditation for Service Birmingham
- Continue to widen and integrate our portfolio of consultancy and support services to meet client demand
- Continue development of shared ICT platforms and infrastructure
- Continue to develop and enhance Group-wide ICT to support the Group's expansion and provide scalable solutions for additional major contracts.