How much is lost to financialisation in adult social care and nurseries

Methodology note

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Key Findings and Why it Matters

Analysing the finances of thirty-two of the largest operators in the adult social care sector (12) and childcare (nursery) sector (20) we find that:

The twenty-five for-profit providers (of the thirty-two) have **£984m in excess spending (relative to the seven not-for-profits) on non-frontline costs** i.e. spending in excess of the not-for-profits on directors' remuneration, finance costs, rent, and - in the case of adult social care - pre-tax profit.

These areas of spend include legitimate costs but are vulnerable to profit extraction by for-profit operators through techniques better known as **financialisation**. Indeed, this analysis finds that for-profit firms that are owned by an investment firm spend considerably more on these non-frontline costs: the difference often comprising rent and finance costs to related companies (i.e. ones sharing the same owners).[1]

This siphoning of non-frontline costs **squeezes spend on already low income staff** and raises concerns about the **value for money and sustainability** of care systems increasingly dominated by these forms of for-profit business models.

Families and public bodies are under persistent budgetary pressures and new investment is needed to meet future needs. However, the largest expanding businesses tend to be financialised meaning that they squeeze staff and favour higher fee-paying customers. Their expansion is neither going to relieve the **financial pressures** on payers nor equitably address the **shortage of places** across the UK.

For the **adult social care** sector:

- Across England, Scotland and Wales, the amount of profit before tax and spend on non-frontline costs by for-profit investment-firm-owned providers, as a percentage of revenue, is **double that** of for-profit non-investment-firm providers (37.9% vs 19.4%) and more than **seven times** higher than in not-for-profit providers (37.9% vs 5%).
- Using the 5% not-for-profit spend on non-frontline costs and profit before tax as a baseline, the **total potentially lost to financialisation is £848m a year** across the nine for-profit social care providers analysed: £757m by investment-firm-owned for-profits, and £90m for non-investment-firm for-profits.
- Looking at the difference between the proportion of revenue spent on staff members, not-for-profits spent the most, while for-profits spent the least. If the investment firm-owned companies spent the same proportion of their revenue on staffing as the not-for profits studied (at 70.4% versus 57.5%), then they would **spend an additional £296m a year** on it, equivalent to **an additional £5,818 per staff member per year**.

For the **childcare (nursery)** sector:

- Across the UK, as a percentage of revenue, the amount of spend on non-frontline costs by for-profit investment-firm-owned providers is **four times** that of not-for-profit providers (19.9% vs 5.3%), while the difference with non-investment-firm for profits is marginal (19.9% vs 15.7%).
- Using the 5.3% not-for-profit spend on non-frontline costs as a baseline, the **total potentially lost to financialisation is £134m** across 16 major for-profit providers: £82m for investment firm-owned for profits, and £52m for non-investment firm for-profits.
- Squeeze on staff costs: the investment firm-owned companies spend **9% less** on staff costs than the not-for-profits (59.7% versus 69.1%).

1 Defining & measuring financialisation

This methodology note explains the data and analytical approach utilised to calculate how much money is potentially being lost to financialisation in adult social care in England, Scotland, and Wales, and in childcare (nurseries) in the UK.

1.1 Can we afford the financialisation of care?

The current care system is beset with a range of issues relating to the undervaluing of paid and unpaid care for children, and ill, elderly, and disabled adults, as well as an inadequate amount of public funding, tightening family budgets, and a lack of places (to meet demographic changes in needs). One of the key symptoms of this undervaluation is the chronic public underinvestment in the whole care infrastructure (including childcare and adult social care), alongside a growing phenomenon of 'financialisation'.[2]

Financialisation can be defined as 'the increasing role of financial motives, financial markets, and financial institutions in the operation of the economy. For public services, including social care and childcare, it means models of private ownership that are financed by debt and prioritise shareholder returns, rather than focusing on delivering quality services and taxpayer value. Here, costs (including wages, safe working conditions and the amount of tax paid) are minimised to maximise profit. Assets are often sold off or mortgaged to finance rapid growth and more shareholder payouts'.[3]

Two of the **core features** that are typically found in financialised companies are: (1) **high-powered incentives for senior management**, i.e. management being made to buy shares in the business to create an incentive to make the target returns so their investment pays back; and (2) **prioritisation of financial efficiency and growth** - by maximising profits and cash flow - over anything else. In addition to this, there will be a mix of other ingredients in financialised for-profit companies, compared to non-financialised for-profit ones: **more aggressive tax minimisation** (to increase net after-tax returns available to investors, and also attract in new investors) and **greater risk-taking** (using debt to increase returns on investment), as well as a **desire to build larger, more diversified companies, and complicated corporate structures**. The sheer complexity of this system increases opacity which hinders financial analysis and scrutiny (including from regulators, users, and suppliers).[4]

In recent years, a growing body of evidence (both from civil society and the media) has highlighted how the use of financialisation tactics has a detrimental impact on already over-stretched childcare (nursery) and adult social care sectors, with chronic underfunding being compounded by extractive and profit-driven practices that 'leak' meagre public funds away from care provision and towards profits.[5] [6] [7] Research has shown how financialisation leaves care providers vulnerable to collapse and closure, hence affecting the dependability and accessibility of essential care services; impacts the quality of care provided; and drives down pay and working conditions for an already undervalued and underpaid workforce. This is in line with global evidence on the impact of financialisation on healthcare services and their workforce.[8] [9]

1.2 Measuring the 'potential loss to financialisation'

Our analysis aimed to calculate the '**potential loss to financialisation**' – i.e. **where profit is most likely to be extracted and diverted away from the direct provision of care**. We focused in particular on the squeeze on staff costs, as an indication of the maximisation of profits driving down pay for care workers, in sectors where the workforce – predominantly composed by women and, for social care, Black, minority ethnic, and migrant workers – is already undervalued and underpaid.[10]

To achieve this, **we reviewed the latest available financial accounts of some of the largest childcare and adult social care providers in their respective industries to explore how funds are spent and allocated**. This information was sourced through public filings made at Companies House. For most companies this covered their performance for 12 months stretching over 2023 and early 2024.

In both sectors, the analysis focused on how the spend in key categories (listed below) differed between not-for-profit and for-profit providers, with those for-profits defined as 'investment firm owned' being the type of provider most likely to utilise highly financialised ownership models.

By '**investment firm**' we mean those providers owned by or in partnership with private equity firms, asset managers (typically real estate investment trusts) and international pension funds. Typically these investors are focused on maximising financial returns across a range of companies in many different industries over a shorter time period, and this approach lends itself well to financialisation.

Not-for-profit providers were included in the analysis as a 'baseline' for comparison, as their status by definition restricts the generation of profits for the benefit of owners and stakeholders and instead prioritises long-term sustainability (see more details below on how this was done).

We utilised available information on financial accounts to identify providers' **profit before tax** (PBT) – i.e. the amount of income left over once all costs, apart from tax, have been deducted. This would normally be a good measure of how profitable a business is.

However, with financialised systems, 'the complexity and opacity of the company structures allows profit to be extracted in hidden ways'.[11] **We therefore measured and compared the proportion of yearly income (i.e. revenue) that ends up allocated to areas that are not directly related to frontline care delivery (i.e. non-frontline costs) where hard-to-capture profit extraction is most likely to occur**: [12]

- **Rent** – i.e. property costs for care settings paid through operating leases. While rent is a cost that all providers would have to cover, selling properties to related-party companies (i.e. sharing the same owners) - often with a promise to rent the asset back for a set amount of time, and at a higher charge than market rates or at inflating yearly rents - is a key feature of financialisation. For example, research has found that within care homes for the elderly there has been a resurgence in the use of 'sale and leaseback', where the property is sold (either to related companies or third-party real estate investors) and then rented back, with this becoming an easy way to raise immediate money to maximise profits for shareholders, while the ongoing burden of additional (rising) rental costs is taken on by providers and residents.[13]

- **Finance costs** – i.e. payments (e.g. to banks, investors, bondholders) to cover repayments and interest charges (often very high) on loans taken out to buy/improve a care setting, or initial acquisition costs. As for rent, while loan repayments are an expense that all providers might take on, for-profit investment firms commonly utilise loans provided by related-party companies – at much higher interest rates compared to commercial bank rates - to maximise the returns on their investment in a way that is tax efficient and incentivising for the company's management.

- **Directors' remuneration** – i.e. financial compensation paid to directors for their services to the company.

This analysis **calculates the 'potential loss to financialisation' by following these steps**:

1. **We added together the amount spent on non-frontline costs (rent, finance costs, directors' remuneration) and - only for social care - profit before tax**, for all providers (not-for-profits, and for-profits that were non-investment firm and investment firm-owned). For the nurseries sector, profit before tax is excluded from calculations, as almost all companies are making losses before tax given that they are in a period of rapid expansion and growth.

2. We calculated what **percentage of the total annual revenue** this amount of non-frontline costs represents for each type of provider.

3. **We identified the percentage for not-for profit providers as the baseline spend on non-frontline costs**, assuming that this could be considered as a reasonable level of spend on non-frontline costs. For social care only, this baseline included profit-before tax. **By comparing** the spend from *for-profit non-investment firm* and *investment firm-owned* providers with this baseline, we were able to calculate the total amount, and total percentage of revenue, that is **diverted away from frontline care services** and likely utilised in areas at high risk of financialisation.

4. We also estimated the amounts of spend and (for social care only) profit that we would see if for-profit providers were to allocate the same percentage of their revenue to frontline costs as not-for-profit providers. **The calculations for both sectors also looked at how much revenue is spent on staff costs, as this makes it possible to identify and compare if and to what extent staff costs are squeezed to generate a larger profit**.[14]

Our analysis highlights the amount of money ***potentially*** lost to financialisation, as the opacity and complexity of financialised systems make it difficult to transparently track how funds directed away from the delivery of frontline care services (e.g. staff costs, facilities, food etc) are spent, and assess the exact extent of this 'leakage'. The analysis here, however, allows us to critically review the amount of money that is not spent on direct care provision, and is instead utilised in areas where the potential for leakages of money away from care provision and into higher profits for investors is highly probable.

2 Adult social care: Data & Methodology

Key findings
Based on our analysis of the adult social care sector: • Across England, Scotland and Wales, the amount of profit before tax and spend on non-frontline costs by for-profit investment-firm-owned providers, as a percentage of revenue, is **double** that of for-profit non-investment-firm providers (37.9% vs 19.4%) and **more than seven times higher** than in not-for-profit providers (37.9% vs 5%). • Using the 5% not-for-profit spend on non-frontline costs and profit before tax as a baseline, the **total potentially lost to financialisation is £848m a year** across the nine for-profit social care providers analysed: £757m by investment-firm-owned for-profits, and £90m for non-investment-firm for-profits. • Looking at the difference between the proportion of revenue spent on staff members, not-for-profits spent the most, while for-profits spent the least. If the investment firm-owned companies spent the same proportion of their revenue on staffing as the not-for profits studied (at 70.4% versus 57.5%), then they would spend **an additional £296m a year** on it, equivalent to **an additional £5,818 per staff member per year**.

2.1 Identify & classify social care providers

The first step in the analysis was to identify the largest providers of adult social care. For adult social care, data was sourced from the Care Quality Commission (CQC), Care Inspectorate for Scotland, and Care Inspectorate for Wales.[15] [16] [17]

The largest 15 adult care home groups across England, Scotland, and Wales were identified. For this analysis we selected those providers registered to provide care home services to adults only, as well as those registered to provide services to both adults and children – we excluded companies which only provide children's social care. We adjusted our count for any dual registrations that we found to avoid double counting.[18]

Providers were then aggregated by the sum of their care home beds (England), total beds (Scotland), and maximum number of places (Wales). These totals show the maximum potential occupancy of these providers, but it should be noted that providers do not necessarily utilise all of their regulated capacity.

Table 1 shows the largest 15 adult social care providers across England, Scotland, and Wales identified through this process. The largest 15 providers make up 20% of the overall capacity in the sector (510,000 places). This list is dominated by the largest providers in England because it is the biggest region for adult care beds. Within Scotland and Wales there are large regional providers who do not have any, or as big a presence in England, and so they did not make the list.

Table 1: Largest 15 adult social care groups across England, Scotland, and Wales

Brand/Company group	Care home Beds – England	Total Beds - Scotland	Max places - Wales	Total
HC-One	12,837	3,248	674	16,759
Barchester Healthcare	14,367	1,158	368	15,893
Care UK	10,869	360	174	11,403
Avery Healthcare	7,929	-	-	7,929
BUPA Group	7,437	-	78	7,515
Anchor Hanover	6,461	-	-	6,461
Sanctuary Housing Association	4,902	484	-	5,386
Maria Mallaband Care Group	4,231	280	-	4,511
Methodist Homes	4,068	-	126	4,194
Runwood	4,146	-	-	4,146
Minster Care Group	3,393	82	-	3,475
Bondcare	3,399	-	-	3,399
Orders of St John Care Trust	3,308	-	-	3,308
Advinia Healthcare	2,093	880	-	2,973
Four Seasons	1,916	734	-	2,650
Total capacity of top 15 providers	91,356	7,226	1,420	**100,002**
Total capacity of all providers	450,899	34,148	25,194	**510,241**
Top 15's share of total capacity	20%	21%	6%	**20%**

Sources: Registered care service providers data from the Care Quality Commission, Care Inspectorate (for Scotland), and Care Inspectorate Wales. See endnotes for the datasets' details.

Provider companies were aggregated by corporate group/brand, where possible, and ordered by revenue size according to latest financial accounts, where available – see Table 2. Of the largest 15: five are not-for-profits and 10 are for-profits. Of the 10 for-profits, five of them are classed as owned by an investment firm.

Some providers consist of several companies connected together as a group through shared ownership or control. For these, we looked at the financial accounts of the principal operating company, which included the results of all/the majority of homes across the group. This was not possible for Bondcare and the BUPA group where their results for their care homes were split across multiple companies, and so they were not included in our study. For Anchor Hanover, care homes make up £286m (45%) of its total revenue, with most of its income coming from retirement housing sales and lettings. For this reason, we excluded Anchor from the final analysis as its cost structure and operations were markedly different from other providers.

Based on this, 12 of the initial 15 providers were retained for the next analytical step. Nine of these providers are for-profit (five are investment firm and four are non-investment firm-owned), and the remaining three are not-for-profit.

Table 2: Largest 15 adult social care groups by ownership type, latest revenue, and latest accounts date

	Profit status	Investment firm owned	Revenue - latest year (£)	Latest accounts date
Barchester Healthcare	For-profit	Yes	871,047,000	31/12/2023
Care UK	For-profit	Yes	454,600,000	30/09/2023
HC-One	For-profit	Yes	398,899,000	30/09/2023
Avery Healthcare	For-profit	Yes	296,145,822	31/03/2024
Methodist Homes	Not-for-profit	No	279,198,000	31/03/2024
Four Seasons	For-profit	Yes	277,746,000	31/12/2023
Runwood	For-profit	No	202,481,651	31/03/2024
Sanctuary Housing Association	Not-for-profit	No	190,625,000	31/03/2024
Maria Mallaband Care Group	For-profit	No	188,741,000	30/09/2023
Orders of St John Care Trust	Not-for-profit	No	146,839,000	31/03/2023
Minster Care Group	For-profit	No	136,219,526	31/03/2024
Advinia Healthcare	For-profit	No	97,150,652	31/03/2024
Anchor Hanover (excluded from analysis)	Not-for-profit	No	N/a	N/a
Bondcare (excluded from analysis)	For-profit	No	N/a	N/a
BUPA Group (excluded from analysis)	Not-for-profit	No	N/a	N/a
Total Revenue (£) (for the 12 largest provided included in analysis)			**3,539,692,651**	

Sources: Companies House, and registered care service providers data from the Care Quality Commission, Care Inspectorate (for Scotland), and Care Inspectorate Wales. See endnotes for the datasets' details.

Overall, the 12 providers studied made revenues of over £3.5bn in their latest financial accounts. As summarised in Table 3, for-profit investment firms (five providers) earned £2.3bn (65% of the total) while providing 66% of the beds/places: this suggests that they are receiving a similar income per bed compared to other types of providers.

Table 3: Revenue (latest available year) and number of beds/places by provider type

	Total revenue £ (% of total)	Number of beds/places (% of total)
All (12)	**3,539,692,651**	**82,627**
For-profit investment firm owned (5)	2,298,437,822 (65%)	54,634 (66%)
For-profit non-investment firm owned (4)	624,592,829 (18%)	15,105 (18%)
Not-for-profit (3)	616,662,000 (17%)	12,888 (16%)

Sources: Companies House, and registered care service providers data from the Care Quality Commission, Care Inspectorate (for Scotland), and Care Inspectorate Wales. See endnotes for the datasets' details.

2.2 Extent of financialisation in adult social care

The analysis focused on these 12 adult social care providers (of the largest 15) for which we could obtain relevant financial information.

As shown in Table 4 we identified how much these 12 providers spent on staff costs, rent, finance costs, directors' remuneration (i.e. non-frontline costs), and what they made in profit before tax, both in absolute terms and as a percentage of their revenue (which can be found in Table 3 above).

The proportion of revenue represented by profit before tax and spend on non-frontline costs in for-profit investment firms is double that in non-investment for-profit firms (37.9% vs 19.4%) and more than 7 times higher than in not-for-profits (37.9% vs 5%).

The total potentially lost to financialisation for both groups of for-profit provider is visible at the bottom of the first column - using the 5% spend on non-frontline costs and profit before tax from not-for-profits as a baseline, this is the additional amount of spend and profit before tax that is diverted away from frontline care services and likely utilised in areas that are at high risk of financialisation. Overall, £848m a year is lost across the 9 for-profit providers analysed. Of this, 89% (£757m) is lost to adult social care providers owned by for-profit investment firms (see the bottom of the fifth column), and 10% (£90m) to for-profit non-investment providers (see the bottom of the fourth column).

Looking at the details on spend on non-frontline costs, it is worth noting that £527m (71.7%) of the total rent and finance costs (£735m) made to related party companies, is almost entirely due to investment firm ownership. As explained in the introductory section, payments to connected companies are more at risk of being a form of, or contributing to, profit-shifting, and so could represent a bigger loss of publicly-funded and taxpayer funds.[19]

Table 4 also shows amounts/percentage spent by different providers on staff costs. There is a marked difference in the spend on staffing by ownership type, with not-for-profits spending 70.4% of their revenue on staffing versus 57.5% in investment firm-owned companies. If the investment firm-owned companies allocated the same proportion (70.4%) to staffing **they would spend an additional £296m a year** on it (out of a total revenue of £2.3bn – see Table 3), **equivalent to an additional £5,818 per staff member per year** (if shared evenly amongst their almost 51,000 employees).

Table 4: Spend on different key cost categories (as a % of revenue and absolute) for 12 of the largest adult social care providers (latest available financial accounts) [20]

	All (12)	Not-for-profit (3)	For-profit non-investment firm (4)	For-profit investment firm (5)
	% of revenue (£ value)			
Staff costs	60.2% (£2.1bn)	70.4% (£434m)	60.2% (£376m)	57.5% (£1.3bn)
Rent	10.6% (£377m)	3% (£18m)	8.5% (£53m)	13.3% (£305m)
Of which rent to related parties	*60.6% (£228m)*	*0% (£0m)*	*0% (£0m)*	*74.9% (£228m)*
Finance cost	10.1% (£358m)	0.8% (£5m)	2.6% (£16m)	14.7% (£337m)
Of which finance cost paid to related parties	*83.4% (£299m)*	*0% (£0m)*	*2.1% (£339k)*	*88.5% (£298m)*
Directors' remuneration	0.5% (£16m)	0.4% (£2m)	0.8% (£5m)	0.4% (£9m)
Profit before tax	7.7% (£272m)	0.8% (£5m)	7.5% (£47m)	9.6% (£220m)
Total Profit Before Tax + Non-Frontline Spend (rent, finance costs, directors' remuneration) **in £**	**1,022,830,154**	**30,529,193**	**121,255,408**	**871,045,553**
Total Profit Before Tax + Non-Frontline Spend (rent, finance costs, directors' remuneration) **as percentage of annual revenue**	**28.9%**	**5.0%**	**19.4%**	**37.9%**
Potential financialisation loss in £ (using 5% baseline)	**847,589,974**	**-**	**90,333,582**	**757,256,392**

Sources: Companies House, and registered care service providers data from the Care Quality Commission, Care Inspectorate (for Scotland), and Care Inspectorate Wales. See endnotes for the datasets' details.

Table 5 (below) highlights the difference between the revenue made and staff costs per staff member, and we can see that not-for-profits have the smallest gap, while for-profits have the largest. The difference between revenue and staff costs (the largest expense in care) is the amount available for other operating costs (e.g. utilities, consumables), finance costs, rental payments, and profits. Investment firm-owned companies generate the highest revenue per staff member (£45,018) and pay a lower remuneration per staff member (£25,920), which suggests that either they are squeezing staff more and/or they are charging higher fees for their services. Not all staff will work full-time and so staff costs may not represent the annualised cost of a full-time salary.

Table 5: Revenue and staff costs (incl. national insurance and pension contributions) per staff member for 12 of the largest adult social care providers (latest available financial accounts)

£ per staff member	All (12)	Not-for-profit (3)	For-profit non-investment firm (4)	For-profit investment firm (5)
Revenue	43,811	42,821	40,456	45,108
Staff costs	26,371	30,128	24,356	25,920
Difference between revenue and staff costs	17,440	12,693	16,100	19,188
Difference as a % of revenue	39.8%	29.6%	39.8%	42.5%

Sources: Companies House, and registered care service providers data from the Care Quality Commission, Care Inspectorate (for Scotland), and Care Inspectorate Wales. See endnotes for the datasets' details.

3 Nurseries: Date & Methodology

Key findings
• Across the UK, as a percentage of revenue, the amount of spend on non-frontline costs by for-profit investment-firm-owned providers is **four times** that of not-for-profit providers (19.9% vs 5.3%), while the difference with non-investment-firm for profits is marginal (19.9% vs 15.7%). • Using the 5.3% not-for-profit spend on non-frontline costs as a baseline, the **total potentially lost to financialisation is £134m** across 16 major for-profit providers: £82m for investment firm-owned for profits, and £52m for non-investment firm for-profits. • Squeeze on staff costs: the investment firm-owned companies spend **9% less** on staff costs than the not-for-profits (59.7% versus 69.1%).

3.1 Identify & classify nursery providers

For nurseries we looked at the 25 largest providers in the UK in 2024 for which there was sufficient financial information publicly available. The largest providers were identified from a NurseryWorld 2024 ranking of the largest nursery chains in the UK.[21] We classified those 25 providers by profit status, also flagging whether they are owned by investment firms or not, as outlined in Table 6.

For our analysis we looked at the accounts of 20 companies: four not-for-profit, six for-profit non-investment, and ten for-profit investment firms. For Partou, we could not find consolidated results for their main nursery chains so instead we looked at the accounts of both the Just Childcare and the All About Children nursery groups. We had to exclude analysis of five providers - Busy Bees, Co-operative Childcare, Ashbourne Day Nurseries, Banana Moon, and Happy Days - because there was either insufficient financial information available or the accounts consolidated too many non-nursery activities together. For YMCA we found that their nursery results were split across a number of companies, so we chose a large company where Early Years and Children's programmes made up 65% of total revenue. Both Bright Stars Nurseries and Children 1st are part of the same corporate group, the Oakley EY Education group, and so the accounts from this parent company were included (incorporating financial results from both providers).

Table 6: Largest 25 nursery chains in the UK in 2024 by number of places

Brand name	Settings	Places	Profit status	Investment firm owned
Busy Bees (excluded from analysis)	366	32,964	For-profit	Yes
Bright Horizons	271	22,445	For-profit	No
Kids Planet	172	15,841	For-profit	Yes
Bright Stars Nurseries (part of the Oakley group)	92	7,338	For-profit	Yes
Family First	99	7,069	For-profit	Yes
Grandir UK	83	6,719	For-profit	Yes
Partou (formerly Just Childcare; All About Children – accounts for these two providers were analysed separately)	104	6,176	For-profit	Yes
Monkey Puzzle	73	5,769	For-profit	No
The Old Station Nursery	77	5,355	For-profit	No
Childbase Partnership	44	4,552	For-profit	No
Thrive Childcare and Education	48	4,054	For-profit	Yes
Co-operative Childcare (excluded from analysis)	46	3,758	Not-for-profit	No
YMCA	65	3,678	Not-for-profit	No
Banana Moon (excluded from analysis)	47	3,135	For-profit	No
N Family Club	31	2,986	For-profit	Yes
Children 1st (part of the Oakley group)	24	2,852	For-profit	Yes
Kindred Nurseries	38	2,688	For-profit	Yes
Tops Day Nurseries	33	2,470	For-profit	No
Storal	29	2,360	For-profit	Yes
London Early Years Foundation	40	2,338	Not-for-profit	No
Early Years Alliance	43	2,024	Not-for-profit	No
Ashbourne Day Nurseries (excluded from analysis)	29	1,949	For-profit	No
Fennies Nurseries	20	1,922	For-profit	No
Happy Days (excluded from analysis)	23	1,834	For-profit	Yes
Spring	29	1,803	Not-for-profit	No

Sources: NurseryWorld 2024 (see endnotes for further details), Companies House

Table 7 details the revenue, number of places, and revenue per place by company type. The 20 providers studied made revenues of £1.1bn in their latest available financial accounts (which covered financial years ending in 2023 or 2024). For-profit non-investment firm owned providers made the highest revenue per place (£11,299) compared to the for-profit investment firm-owned providers which made £9,300 per place. This difference may be due to the fact that the investment firm-backed firms are currently expanding rapidly in the market and so are not earning their maximum revenues per place yet.

Table 7: Revenue (2023/24), number of places, and revenue per place by company type

	Total revenue £ (% of total)	Number of places (% of total)	Revenue per place £
All (20)	**1,141,831,286**	**110,439**	**10,339**
For-profit investment firm (10)	562,066,033 (49%)	58,083 (53%)	9,677
For-profit non-investment firm (6)	495,148,056 (43%)	42,513 (38%)	11,647
Not-for-profit (4)	84,617,197 (7%)	9,843 (9%)	8,597

Sources: NurseryWorld 2024 (see endnotes for further details), Companies House

3.2 Extent of financialisation in nurseries

Based upon the latest financial figures available for the 20 providers included in this analysis, Table 8 shows the levels of spend on staff costs, rent, finance costs, directors' remuneration, and what they made in profit before tax between the different provider types.

For rent, we looked at the spend on operating leases for land and buildings. Sometimes the lease payments were not broken down by category and so may include equipment leasing costs too, but this appears to be a small proportion based upon a review of the accounts where a breakdown is provided.

We have measured the proportion of revenue that is potentially being lost to financialisation by calculating the total non-frontline spend, excluding profit before tax. This is because, reviewing the findings we can immediately see that all company types (and 17 of the 20 companies) are making losses before tax. These losses are driven by increases in the national living wage (and other costs) not being matched by increased public funding. However, these losses are more pronounced in for-profit companies who appear to be generating losses due to both higher interest charges on their debts and acquisition costs charged in their accounts (such as legal and due diligence fees associated with a purchase). The acquisition costs, in particular, are non-recurring and so reduce profitability for that particular year, making a business appear less profitable than its medium-term potential. In other words, these losses are expected to be replaced by higher profits as more nurseries are acquired and added to the group, allowing for greater economies of scale in the coming years.

The total potentially lost to financialisation can be seen at the bottom of the first column - using the 5.3% not-for-profit spend on non-frontline costs as a baseline. This is the additional amount of spend that is diverted away from frontline care services and likely utilised in areas that are at higher risk of financialisation. In the nurseries sector, across the UK, £134m is potentially being lost to financialisation across 16 major for-profit nursery care providers. Of this, 61% (£82m) is from providers owned by for-profit investment firms (see bottom fifth column), and 39% (£52m) to for-profits non-investment firm providers.

Compared to adult social care the level of potential losses to financialisation is lower, but this is not a surprise given that the nursery market is still rapidly consolidating, as the largest providers in the industry continue to grow through buying out other nurseries.[22] As this trend slows down, the financial benefits of size will become more apparent, and we will likely begin to see greater losses to financialisation (as profitability rises).

Table 8: Spend on different key cost categories (as a % of revenue) for twenty-one of the largest nursery providers (latest available financial accounts)

	All (20)	Not-for-profit (4)	For-profit non-investment firm (6)	For-profit investment firm (10)
	% of revenue (£ value)			
Staff costs	60.8% (£695m)	69.1% (£58m)	60.7% (£301m)	59.7% (£335m)
Rent	6.3% (£71m)	2.8% (£2m)	7.6% (£38m)	5.6% (£31m)
Finance costs	9.7% (£111m)	0.3% (£0.3m)	7.6% (£38m)	13.0% (£73m)
Directors' remuneration	1.0% (£12m)	2.2% (£1.8m)	0.5% (£2.4m)	1.3% (£7.4m)
Profit before tax	-17.8% (-£204m)	-1.4% (-£1.2m)	-16.1% (-£80m)	-21.8% (-£123m)
Total spend on rent, finance costs, directors' remuneration costs in £ (excl. profit before tax)	**194,065,572**	**4,450,137**	**77,798,805**	**111,816,630**
Total spend on rent, finance costs, directors' remuneration costs (excl. profit before tax)	**17.0%**	**5.3%**	**15.7%**	**19.9%**
Potential financialisation loss in £ (using 5.3% baseline)	**134,015,064**	**-**	**51,758,275**	**82,256,789**

Source: Companies House

4 Limitations of the analysis and mitigations

- As mentioned above, some companies had to be excluded from our analysis due to a lack of available financial information. This is a common challenge in studies looking at financialisation as opacity (i.e. including lack of transparency on financial data) is inherent to financialised systems. That said, we have been able to analyse 80% of the largest adult social care and nursery providers and our findings are consistent with the wider literature on financialisation.

- Our analysis looks at a snapshot of profitability in the latest available financial year. Many of the providers that are owned by investment firms are engaging in a rapid expansion strategy in order to increase their overall profitability and hence business value for a planned future sale date. This means that their profitability and overall value will be understated at this moment in time (if they are successful in executing their strategy).

- Information on staff costs is less detailed and so, for example, a complete comparison of annual wages is not possible. However, available data has still allowed us to identify top-line findings on the proportion of income spent on staffing, and hence the overall potential squeeze of staff costs.

- We are reliant on collected statistics for the number of beds/places for each firm. These companies may have other sources of income which may skew the revenue per bed/place. To mitigate this we have identified companies (for each provider) whose main business is adult social care/nurseries and excluded those which have numerous alternative sources of income.

- A wider question to be addressed is how best to fund the investment needed (to build the required places) to meet future demand? A rising cost of borrowing puts an increasing floor on the minimum costs (and hence fees) that an expanding provider can charge. As the care system is an essential social infrastructure there are unanswered policy questions around how best to cost effectively fund expansion and who is best placed to carry it out.

Disclaimer
Trinava Consulting Ltd and the authors of this report neither owes nor accepts any duty to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by reliance on our Report.

Notes

[1] By Investment Firm we mean those providers owned by or in partnership with private equity firms, asset managers (typically real estate investment trusts), and/or international pension funds.

[2] S. Galandini and C. Spoors. (2024). Valued: Breaking the link between paid and unpaid care, poverty and inequalities across Britain. Oxfam. Accessed 29 May 2025. https://policy-practice.oxfam.org/resources/valued-breaking-the-link-between-paid-and-unpaid-care-poverty-and-inequalities-621592/

[3] S. Galandini and C. Spoors. (2024). Valued: Breaking the link between paid and unpaid care, poverty and inequalities across Britain. Oxfam. Op. cit., p. 26. See also G. Blakeley, H. Quilter-Pinner. (2019). Who Cares? The Financialisation of Adult Social Care. Institute for Public Policy Research. Accessed 29 May 2025. https://www.ippr.org/articles/financialisation-in-social-care

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[5] A. Simon, H. Penn, A. Shah, C. Owen, E. Lloyd, K. Hollingworth, K. Quy. (2022). Acquisitions, Mergers and Debt: the new language of childcare. UCL Social Research Institute. Accessed 29 May 2025. https://discovery.ucl.ac.uk/id/eprint/10142357/7/Childcare%20Main%20Report%20010222.pdf ; R. Davies. (4 August 2023). Golden goose: why private equity is eyeing up UK essential services. The Guardian. Accessed 29 May 2025. https://www.theguardian.com/business/2023/aug/04/golden-goose-why-private-equity-is-eyeing-up-uk-essential-services ; A. Jitendra. (2024). A new social contract in the childcare system. Joseph Rowntree Foundation. Accessed 29 May 2025. https://www.jrf.org.uk/care/a-new-social-contract-in-the-childcare-system

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[7] V. Kotecha. (23 March 2023). We'll need a regulatory overhaul to bring the early years childcare market in line. Accessed 18 June 2025. https://www.jrf.org.uk/care/well-need-a-regulatory-overhaul-to-bring-the-early-years-childcare-market-in-line

[8] A. Marriott. (2023). Sick Development. Oxfam. Accessed 29 May 2025. https://www.oxfam.org/en/research/sick-development

[9] Oxfam South Africa. The #Care4Carers Campaign. Accessed 29 May 2025. https://www.oxfam.org.za/care4carers/

[10] S. Galandini and C. Spoors. (2024). Valued: Breaking the link between paid and unpaid care, poverty and inequalities across Britain. Op. Cit.

[11] V. Kotecha. (2019). Plugging the leaks in the UK care home industry. Centre for Health and the Public Interest, p. 7. Accessed 29 March 2025. https://www.chpi.org.uk/reports/plugging-the-leaks-in-the-uk-care-home-industry

[12] A detailed explanation of the financialisation techniques utilised to generate larger profit - on which our analysis focused - can be found here: V. Kotecha. (2019). Plugging the leaks in the UK care home industry. Centre for Health and the Public Interest. Op. cit.

[13] V. Kotecha (2023) Extracting Profits Through Care Home Real Estate. Centre for International Corporate Tax Accountability and Research. Accessed: 23 June 2025. Available at: https://cictar.org/all-research/extracting-profits-through-real-estate

[14] A case study on how investment firms' financial strategies directly impact the experience of care workers and service users in UK care homes can be found here: C. Corlet Walker, V. Kotecha, A. Druckman and T. Jackson. (2022). Held to ransom: What happens when investment firms take over UK care homes, CUSP Working Paper Series, No 35. Centre for the Understanding of Sustainable Prosperity. Accessed 25 May 2025. https://cusp.ac.uk/themes/aetw/wp35/

[15] Care Quality Commission. Release date: 9 December 2024. Data file accessed 6 January 2025. https://www.cqc.org.uk/about-us/transparency/using-cqc-data

[16] Care Inspectorate. Release date: 30th November 2024. Data file accessed 6 January 2025. https://www.careinspectorate.com/index.php/publications-statistics/93-public/datastore

[17] Care Inspectorate Wales. Release date: 6 January 2025. Data file accessed 6 January 2025. https://digital.careinspectorate.wales/directory/data-extract

[18] This refers to instances where two companies (nearly always in the same corporate group) are registered to provide care at the same location. We removed one of the companies from the count, to be able to count the number of registered beds of each provider group without double counting the same location.

[19] This was calculated by taking the total spend on related parties for both rent and interest (£527m) and dividing it by the total spend on both rent and interest (£735m).

[20] NB. For rent we looked at the spend on operating leases for land and buildings. Sometimes the lease payments were not broken down by category and so may include equipment leasing costs too, but this appears to be a small proportion based upon a review of the accounts where a breakdown is provided.

[21] C. Gaunt. (31 January 2024). Nursery Chains 2024: Groups by Size – Rise and Fall. NurseryWorld. Accessed on 6 January 2025. https://www.nurseryworld.co.uk/content/features/nursery-chains-2024-groups-by-size-rise-and-fall

[22] For further information on the consolidation taken place please see p16-17 of A. Simon, H. Penn, A. Shah, C. Owen, E. Lloyd, K. Hollingworth, K. Quy. (2021). Acquisitions, Mergers and Debt: the new language of childcare – main report. UCL Social Research Institute, University College London. Accessed 25 May 2025. https://discovery.ucl.ac.uk/id/eprint/10142357/