

## Fee increases buoy nurseries market as number of places shrink

London, 7 February 2019

Valued at £5.5 billion in 2018, the UK market for formal childcare is growing rapidly in value terms at a time when the number of settings and places have decreased. Occupancy now stands at 74% and the past year has seen average fees increase at a rate of around 6%.

LaingBuisson's latest publication on the sector, Childcare UK market report, finds that this leaves children without a nursery place and in some areas, makes formal nursery care unaffordable for parents. This, at a time when the benefits of early years education to child development are becoming widely recognised and around 65% of mothers of toddlers are now in full time or part time work.

LaingBuisson estimates that the UK currently has a shortfall of some £600 million in early years funding and a shortage of 1 million places.

Questions are raised about whether Government funding models will help or hinder the future growth of the sector and the availability of affordable childcare to working parents. During 2016-18 the number of individual nurseries has declined by 20%, and many that have closed have done so for lack of funding. The sector also suffers staff shortages as rates of pay fail to compete with those for comparable work in other sectors.

At the same time, the sector is consolidating. Two supergroups – Busy Bees and Bright Horizons – now each have more than 300 settings each and together account for 8% of the market. The activity in the UK market of 2016/17's major new entrant, Les Petits Chaperons Rouges, has stalled, possibly due to the integration of its Magic and Kiddicaru acquisitions, but more likely due to its further activity in its other core markets.

Overall, there is increasing interest in the UK nurseries market from both UK and international private equity groups and financial investors. However, genuine growth platforms of scale remain scarce.

Report author, Dominic Barrett-Evans said:

*"The government urgently needs to look at the funding model for early years education. We are concerned that if the government does not react now, the larger groups will become larger and larger as consolidation continues apace and this will lead to limited parent choice, higher fees and an even greater widening of the gap between the 'haves' and 'have nots'. The long-term effects on our society are immeasurable. The funding shortfall of £600 million is not such a great number that cannot be found with more creative policy making."*

– Ends –

For further information please contact:

**LaingBuisson**

Heidi Nicholson, Chief Operating Officer  
Lucy Taylor, Business Development Manager

Tel: 020 7833 9123

**Notes to Editors**

**About LaingBuisson**

LaingBuisson, the leading health and social care market intelligence provider, has been serving clients for over 30 years, providing insights, data and analysis on market structures, policy and strategy. We are the chosen provider of independent sector healthcare market data to the UK Office for National Statistics (ONS) and work

with providers, commissioners, payors, manufacturers, investors, regulators and advisors. We help our clients to understand their markets, make informed decisions and deliver better outcomes through market intelligence, consulting and data solutions.

For more information, please visit our website at [www.laingbuisson.com](http://www.laingbuisson.com).

### **About Dominic Barrett-Evans**

Dominic is the former Global Head of Education & Childcare at Rothschild & Co. who began covering the sector in 2004. He has worked on many of the major private transactions in the private sector in the UK since first advising Asquith Schools on its sale to Cognita in December 2004. His focus on longterm relationships was demonstrated by advising Asquith Nurseries on its sale alongside Jefferies, the investment bank, to Bright Horizons in November 2016. Dominic is now more focused on small and mid cap providers, and individual operators as well as public sector work at home and abroad through his own boutique firm Nurture Education, which provides strategic consultancy, quality and value maximisation in settings, capacity expansion, the recruitment and training of key staff, and corporate finance valuations and execution. He most recently advising Angels at Play on their sale to All About Children.

Dominic is passionate about childcare and has worked for the UN in refugee camps, on which he is writing a PhD thesis. He supports and helps run an AIDS orphanage in South Africa with over 50 children following strong lobbying for retroviral drug availability. He is also a trustee of Fundacao Cafu in Brazil, the Children's Foundation of the great footballer Cafu, and established a Boxing Club in London for disadvantaged youth at Caius House, Battersea in 2015 which has developed a successful community and youth development programme. He is dedicated to the Special Olympics with Cafu now a Global Ambassador.

### **About the Childcare Report**

Now in its 15<sup>th</sup> edition, LaingBuisson's Childcare report focuses on children's nurseries that provide full day care services, are open all year round and offer services to 0 to 5 year olds in private, voluntary and independent group-based settings. This comprises approximately 15,500 settings. The report includes information on:

- Market
- Politics and regulation
- Payors
- Major providers
- Investors
- Staffing
- Market Potential

For further information on the report, please go to [www.laingbuisson.com](http://www.laingbuisson.com)