

Increasing fees drive growth in UK nurseries market

The UK market for formal childcare is valued at £5.5 billion in 2018. This represents faster value growth than market volumes would suggest as settings and places have decreased. This has driven an increase in average fees at a rate of about 6% and also a gradual increase in occupancy, which now stands at 74%.

This is not to say that the market is without its financial challenges. Many nurseries that have closed have done so for lack of funding, and the sector also suffers staff shortages as rates of pay fail to compete with those for comparable work. It is estimated that the UK currently has a shortfall of some £600 million in government early years funding and a shortage of 1 million places.

This leaves children without a nursery place and in some areas, makes nursery care unaffordable for parents. This is at a time when around 65% of mothers of toddlers are now in full time or part time work. The report looks at the government funding models which may help or hinder the future growth of the sector and availability of affordable childcare to working parents.

At the same time, the sector is consolidating. Two supergroups – Busy Bees and Bright Horizons – now each have more than 300 settings each and 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.



While there has been consolidation at the top of the market, during 2016-18 the number of individual nurseries has declined by 20%, while in the five years to 2018 the number of Ofsted registered child minders has fallen by 27%. Critically, consolidation is not having a negative impact on quality and the top 25 groups have an above average percentage of 'good' or 'outstanding' settings.

Who is the report for

- Independent nursery providers
- Local authority providers
- Banks
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- Management consultants
- Business advisors
- Central Government
- Think Tanks
- Policy Writers

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