

## ECONOMIC/EXCESS PROFIT CALCULATION: Years 2016-2020

DATA SOURCE: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/)

**Economic profit (same as Excess profit) =**

### MAIN RESULTS

**Economic/Excess profit for Children's Homes (5% rate of return) (Large Providers) [Yearly, average of 2016-2020]**  
Economic/Excess profit for Children's Homes (8% rate of return) (Large Providers) [Yearly, average of 2016-2020]

**Economic/Excess profit as a % of Total Revenue (5% rate of return) (Large Providers) [Yearly, average of 2016-2020]**  
Economic/Excess profit as a % of Total Revenue (8% rate of return) (Large Providers) [Yearly, average of 2016-2020]

**Economic/Excess profit per Child (5% rate of return) (Large Providers) [Yearly, average of 2016-2020]**  
Economic/Excess profit per Child (8% rate of return) (Large Providers) [Yearly, average of 2016-2020]

**Total Economic/Excess profit over 5 years (5% rate of return) (Large Providers) [2016-2020]**  
Total Economic/Excess profit over 5 years (8% rate of return) (Large Providers) [2016-2020]

### Revenue

Avg Fee per child (Large Providers) [Yearly, average of 2016-2020]  
Avg Fee per child (Large Providers) [Weekly, average of 2016-2020]

Total revenue from all business (Large Providers) [Yearly, average of 2016-2020]  
Proportion of Total Revenue that is from Children's homes (Large Providers) [Aggregate, 2016-2021]

Revenue from Children's Homes (Large Providers) [Yearly, average of 2016-2020]  
Number of Children cared for (Large Providers) [Yearly, average of 2016-2020]

### Operating costs

Operating profit margin for Children's Homes (Large Providers) [Yearly, average of 2016-2020]  
*NB. Operating profit measured as pre-exceptional EBITDARM*

Operating costs for Children's Homes (Large Providers) [Yearly, average of 2016-2020]  
Operating costs per Child (Large Providers) [Yearly, average of 2016-2020]

### Capital Costs

**Capital Costs =**

**Capital Employed =** Property value + Equipment costs + Working capital required

**Rate of Return:** CMA estimate it is at the lower end of 5-8% range (from Care Home Market Study)

## **Capital Employed**

### *a) Property*

Market-based average ratio of aggregated revenue to aggregated property valuations  
Property value (Large Providers) [Yearly, average of 2016-2020]

### *b) Equipment*

Equipment spend per Child  
Equipment spend (Large Providers) [Yearly, average of 2016-2020]

### *c) Working Capital*

METHOD: Notional level: 2 months Revenue - 2 months Operating costs (EBITDARM op costs)

2 months Revenue (Large Providers) [Yearly, average of 2016-2020]  
2 months Operating Costs (Large Providers) [Yearly, average of 2016-2020]

Working capital (Large Providers) [Yearly, average of 2016-2020]

**Total Capital Employed** (Large Providers) [Yearly, average of 2016-2020]

Capital Cost at **5% rate of return** (Large Providers) [Yearly, average of 2016-2020]

Capital Cost at **8% rate of return** (Large Providers) [Yearly, average of 2016-2020]



Value	Source (page)
0,52	A12
£542.884.615	Calculation
£13.335	A13
£21.267.234	Calculation
	A14
£47.050.000	Calculation
£36.416.700	Calculation
£10.633.300	Calculation
<b>£574.785.149</b>	Calculation
£28.739.257	Calculation
£45.982.812	Calculation

**£35.060.543** Main case

£17.816.988 Comparator

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**Economic profit (same as Excess profit) =**

### MAIN RESULTS

**Economic/Excess profit for IFAs (5% rate of return) (Large Providers) [Yearly, average of 2016-2020]**

Economic/Excess profit for IFAs (8% rate of return) (Large Providers) [Yearly, average of 2016-2020]

**Economic/Excess profit as a % of Total Revenue (5% rate of return) (Large Providers) [Yearly, average of 2016-2020]**

Economic/Excess profit as a % of Total Revenue (8% rate of return) (Large Providers) [Yearly, average of 2016-2020]

**Economic/Excess profit per Child (5% rate of return) (Large Providers) [Yearly, average of 2016-2020]**

Economic/Excess profit per Child (8% rate of return) (Large Providers) [Yearly, average of 2016-2020]

**Total Economic/Excess profit over 5 years (5% rate of return) (Large Providers) [2016-2020]**

Total Economic/Excess profit over 5 years (8% rate of return) (Large Providers) [2016-2020]

### Revenue

Avg Fee per child (Large Providers) [Yearly, average of 2016-2020]

Avg Fee per child (Large Providers) [Weekly, average of 2016-2020]

Total revenue from all business (Large Providers) [Yearly, average of 2016-2020]

Proportion of Total Revenue that is from IFAs (Large Providers) [Aggregate, 2016-2021]

Revenue from IFAs (Large Providers) [Yearly, average of 2016-2020]

Number of Children cared for (Large Providers) [Yearly, average of 2016-2020]

### Operating costs

Operating profit margin for IFAs (Large Providers) [Yearly, average of 2016-2020]

*NB. Operating profit measured as pre-exceptional EBITDARM*

Operating costs for IFAs (Large Providers) [Yearly, average of 2016-2020]

Operating costs per Child (Large Providers) [Yearly, average of 2016-2020]

### Capital Costs

**Capital Costs =**

**Capital Employed =** Property value + Equipment costs + Working capital required

**Rate of Return:** CMA estimate it is at the lower end of 5-8% range (from Care Home Market Study)

## **Capital Employed**

### *a) Property*

Not included for IFAs because the only property cost is for renting office space which is insignificant.

### *b) Equipment*

Equipment spend per Child

Equipment spend (Large Providers) [Yearly, average of 2016-2020]

### *c) Working Capital*

METHOD: Notional level: 2 months Revenue - 2 months Operating costs (EBITDARM op costs)

2 months Revenue (Large Providers) [Yearly, average of 2016-2020]

2 months Operating Costs (Large Providers) [Yearly, average of 2016-2020]

Working capital (Large Providers) [Yearly, average of 2016-2020]

**Total Capital Employed** (Large Providers) [Yearly, average of 2016-2020]

Capital Cost at **5% rate of return** (Large Providers) [Yearly, average of 2016-2020]

Capital Cost at **8% rate of return** (Large Providers) [Yearly, average of 2016-2020]





Value	Source (page)
	A16
£6.668	A13
£69.184.450	Calculation
	A14
£73.711.667	Calculation
£59.411.603,33	Calculation
£14.300.063	Calculation
<b><u>£83.484.513</u></b>	Calculation
£4.174.225,66	Calculation
£6.678.761,06	Calculation