ECONOMIC/EXCESS PROFIT CALCULATION: Years 2016-2020

DATA SOURCE: 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 Economic/Excess profit for Children's Homes (8% rate of return) (Large Providers) [Yearly, average of 2016-

Economic/Excess profit as a % of Total Revenue (5% rate of return) (Large Providers) [Yearly, average of 2 Economic/Excess profit as a % of Total Revenue (8% rate of return) (Large Providers) [Yearly, average of 20

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]

<u>Total Capital Employed</u> (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]

Appendices_.pdf

Revenue	MINUS	Operating Costs	MINUS	Capital Cost	
£282.300.000	MINUS	£218.500.200	MINUS	£28.739.257	EQUALS
£282.300.000	MINUS	£218.500.200	MINUS	£45.982.812	EQUALS
12,4%					
6,3%					
£21.984					
£11.172					
£175.302.713					
£89.084.940					

Value		Source (page)
	£177.008	A5
	£3.393	Calculation
	£941.000.000	A18
	30%	A19
	£282.300.000	Calculation
	1.595	Calculation

Value		Source (page)
	22,60%	A5, A21 A7
	£218.500.200	Calculation
	£137.004	Calculation

Capital Employed x % rate of return

A9-11

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

£574.785.149 Calculation

£28.739.257 Calculation £45.982.812 Calculation £35.060.543 Main case £17.816.988 Comparator

ECONOMIC/EXCESS PROFIT CALCULATION: Years 2016-2020

DATA SOURCE: 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 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 2

Economic/Excess profit as a % of Total Revenue (8% rate of return) (Large Providers) [Yearly, average of 20

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]

<u>Total Capital Employed</u> (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]

Appendices_.pdf

Revenue	MINUS	Operating Costs	MINUS	Capital Cost	
£442.270.000	MINUS	£356.469.620	MINUS	£4.174.226	EQUALS
£442.270.000	MINUS	£356.469.620	MINUS	£6.678.761	EQUALS
18,5%					
17,9%					
£7.867					
£7.626					
£408.130.772					
£395.608.095					

Value		Source (page)
	£42.626	A5
	£817	Calculation
	£941.000.000	A18
	47%	A19
	£442.270.000	Calculation
	10.376	Calculation

Value		Source (page)
	19,40%	A5, A21 A7
	£356.469.620	Calculation
	£34.357	Calculation

Capital Employed x % rate of return

A9-11

Value	Source (page)
	146
	A16
£6.668	A13
£69.184.450	Calculation
	A14
£73.711.667	Calculation
£59.411.603,33	Calculation
£14.300.063	Calculation
£83.484.513	Calculation
£4.174.225,66	Calculation

£6.678.761,06 Calculation