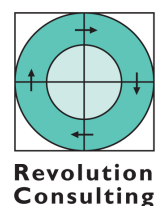


Profit making and Risk in Independent Children's Social Care Placement Providers.

5th Update Report: April 2026

**Andrew Rome
April 2026**



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Introduction

This is the fifth collection of publicly available evidence in relation to the financial performance of the largest independent sector children's social care provider organisations operating in England.

In this report reference to the independent sector includes both private companies and voluntary sector bodies, i.e., non-local authority or other state provision.

Reference to "provider" in this report is to a group of companies or agencies all under common ownership or control.

The first report in this series was published in January 2020 and covered the largest 16 providers. In 2021 the study was expanded to include the largest 20 providers and that number has been maintained through all studies since, if necessary, by adding providers to the study when others have merged. The last study was published in September 2023, some 2 and a half years ago.

The work was previously commissioned by the Local Government Association (LGA) but this latest version is solely a Revolution Consulting study. However, to retain some consistency with the earlier studies the same methodology and approach has been adopted. The study seeks to identify profitability of the largest independent children's social care providers in England, and to identify indicators of solvency and debt risk in those organisations.

The focus is on providers of regulated social care services (children's homes and fostering agencies) and does not look specifically at independent special schools, providers of supported accommodation services or other organisations supporting children and young people, except to the extent that such services are part of larger providers where fostering and children's homes are also a substantial part. The method statement in Appendix 1 describes the sample selection criteria more fully. Since supported accommodation services were first registered in 2023 there is greater visibility of which providers are involved in that sector. Future studies will consider inclusion of the larger providers in that sector also.

The predominant source of information for the study is at Companies House where, in accordance with Companies Act 2006 requirements, most of the provider organisations file financial statements for historical periods.

Those statements are prepared to UK and international accounting standards and are independently audited.

Whilst there are technical accountancy issues that need to be understood to perform the analysis required, wherever possible this report is written assuming the reader is not a qualified accountant or finance professional. Some technical terms are unavoidable, but explanations of such terms used are provided, and interpretation of the results seeks to use non-technical language.

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Summary of results

This report provides an updated assessment of the financial performance, profitability and financial risk of the largest independent children's social care placement providers in England, based on publicly available financial information for the top 20 organisations in the sector, covering 2022-2025.

Local authority spending on independent sector residential care and fostering has increased significantly over the past decade, reaching approximately £3.8 billion, although the rate of growth has slowed in the most recently reported year. The largest providers analysed in this study reported average income growth of 26% over the latest two-year period, with only 9% growth in the most recent year. This suggests a deceleration in expansion and indicates that smaller or unregistered providers may be capturing a growing share of the market.

Performance across different service types is not uniform. A divergence is evident between residential care providers, often combined with education services, and fostering-focused providers. Residential providers are generally reporting stronger income growth and higher profitability, while some fostering providers are experiencing flat or declining income and lower margins.

Average profitability across the sample remains relatively stable, with an EBITDA margin of 17.1%, slightly below the level reported in the previous study. However, there is substantial variation between providers, with margins ranging widely. Lower margins are more commonly associated with fostering services and voluntary sector organisations, while higher margins are typically seen among residential providers. Overall, profitability is not consistent across the sector, with performance varying significantly between organisations and over time.

Many providers continue to operate with significant levels of debt, reflecting common investor-backed acquisition structures. All providers in the sample were generating sufficient operating profit to meet interest obligations. However, a proportion have relatively low levels of interest cover, indicating more limited resilience to potential financial shocks. In a small number of cases, the scale of debt relative to operational performance suggests that refinancing may be required to meet future obligations. While the sector appears operationally sustainable, financial resilience is uneven and remains an area for ongoing monitoring.

The analysis is constrained by limitations in publicly available financial data. Changes in ownership structures, mergers and reporting practices have reduced the availability of detailed, segmental information. In some cases, large providers or partnership structures do not publish financial data, and structural changes can take considerable time to be reflected in reported accounts. These factors limit the ability to draw fully consistent comparisons across the sector.

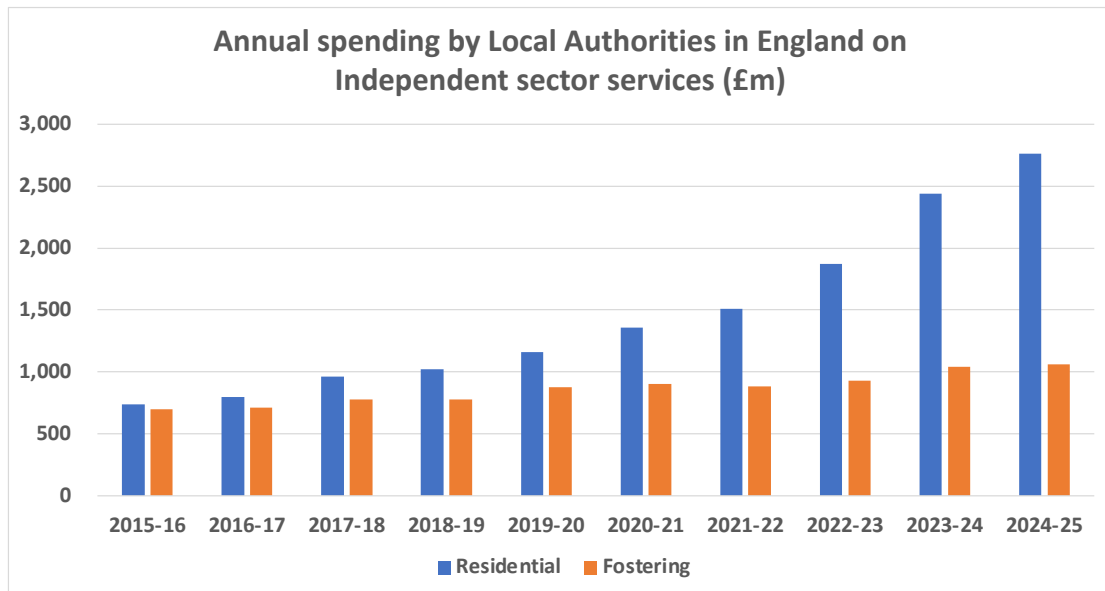
The sector is also subject to a changing policy environment. The forthcoming Children's Wellbeing and Schools Bill will introduce additional financial reporting requirements and oversight, alongside potential powers to limit profits and initiatives to mandate regional commissioning through care cooperatives. These developments have the potential to transform market structure and financial performance in the coming years.

Future provider stability will depend on the interaction between market dynamics, provider performance and the evolving commissioning and regulatory frameworks.

Sample representativeness

This study originated with a focus on services that local authorities purchase from social care budgets. The fostering and residential sectors are therefore the primary target areas. These are also the sectors where local authority children's social care budgets have reported the highest levels of overspending in recent years.

Reported spending by local authorities on these elements of children's services and where there is significant outsourcing to the independent sector is illustrated below.¹



Total reported spending on residential care and fostering with the independent sector by local authorities in England across the period of this study has grown to £3,826 million (an increase of 153% since 2015/16, with inflation accounting for just 30-35% compound growth in the same period).

Increases in spending have been particularly steep since 2021/22 with spend on residential services up 83% in the three years to 2024/25. Although fostering spending also grew by 20% in the same 3-year period that was only a little ahead of compounded inflation (CPI 17%).

Overall spending with independent sector bodies in the last two years has grown by 37%, with 10% of the growth in the most recent year, indicating a slowing in the rate of growth. As will be seen below, the growth reported by the sample of large providers is lower than these overall spending growth rates.

In addition to these areas of expenditure, councils also spend on placements for older children in supported accommodation and on placements in SEN/Special schools in the non-maintained and independent sectors from social care budgets.

The total annual fee income for children's services of all types for the twenty providers included in this update study is estimated to be over £2 billion. This aggregate income includes income for special schools' services that may be funded from non-social care budgets, also for leaving care and supported living services and

¹ <https://explore-education-statistics.service.gov.uk/find-statistics/la-and-school-expenditure>

services provided to local authorities outside of England, including some international services. Hence the aggregate income of the sampled providers is not directly comparable to England-only spending reported by councils (represented in the chart above) but provides a useful indicator of relative scale and offers evidence that the providers included in this study make up a substantial element of LA spending in England.

As described in the method statement in Appendix 1, an important source of information to select the sample of providers for this study comes from Ofsted, and their published data on the makeup of the provider sector.² This data provides further information as to the scale of the larger providers relative to the whole sector. Ofsted particularly highlight (as of 31 March 2025):

- The private sector in general, including both the largest and smaller private operators have continued to invest and grow. Private ownership accounts for 84% of all children's homes.
- The largest 20 children's homes providers accounted for 25% of all children's homes.
- The two largest children's homes operators, Caretech and Keys, accounting for 9% of all private homes. The rate of investment in new homes is higher amongst the smaller providers.
- Two thirds of all children in care are in fostering placements, provided either by their local authority, or by an IFA (Independent Fostering Agency). 84% of IFAs are privately owned.
- There are 339 IFAs but the largest five operators are all private providers offering over 1,000 fostering places via multiple IFAs.
- The two largest (NFG and Polaris) each have around 13% of all IFA places available.

The sample selected for this report is listed in Appendix 2. Despite the changing size and mix of providers in the sector the sample includes the same 20 providers as in the last 2023 study, albeit with some substantial changes also evident in scope of operations.

In summary the ownership status is:

- 55% (11 out of 20) have a majority or minority private equity or sovereign wealth fund owner. This proportion is no longer growing at the rate seen in the last decade.
- Caretech delisted from the London stock market in September 2022 to return to private ownership meaning there are now no public market owned providers in the sector.
- Three have charitable status (2023 also three).

² <https://www.gov.uk/government/statistics/ownership-of-childrens-social-care-providers-in-england-2025/main-findings-ownership-of-childrens-social-care-providers-in-england-2025>

- Seven are now in private hands without recognised private equity backing, with a variety of constitution including a social enterprise and an employee ownership trust.

Visibility

Throughout this series of studies, we have reported on the limitations of the information available at Companies House (see Appendix 5). This latest research again experienced the impact of such limitations. Of note:

- Stock Market rules and practices often require more detailed disclosure than normal company reporting rules. When Caretech was taken private in 2022 the provider decided to reduce the segmental reporting that had previously given insight to the children's services operations separately from Caretech's adult services.

For this version of the report Caretech income and profit results for children's services are therefore unavailable. Solvency indicators are still available based on the whole Caretech group.

- The Keys Group and Accomplish Group merged in 2022 under the common G square ownership. Therefore, since the March 2023 financial statements the group has reported represents a merged picture of children's and adult's services. Segmental profit analysis is not available. Solvency indicators are available for the whole Keys group.
- Most providers with multiple types of service do not present segmented information to allow the assessment of children's homes and fostering services alone. For example, education-based funding for placements in schools (e.g. Witherslack and others), and funding of supported accommodation (e.g. Horizon and others) cannot be separated from the income and profits reported in this study.
- Legal entities that fall outside of company reporting rules, such as Limited Partnerships, have no obligation to publish financial reporting information. For example, The Partnership of Care Today is identified by Ofsted as the 8th largest provider of children's homes in England, but there is no financial reporting for this organisation available to this study.
- Where ownership of a large provider changes, or where two providers merge, or disaggregate operations it is necessary to wait until the new entities and operations within them produce accounts after the end of the next full accounting period. This can lead to a period of up to two years or more before reliable trend information and visibility of performance, financing and debt structures can be analysed, as accounting periods can also be changed to lengthen the period of reporting beyond a year (up to a maximum of 18 months). In this study the disaggregation of the Outcomes First Group and sale of various operations results in increased visibility of the fostering operations alone (NFG), albeit with some delay until the trend will be available. A full description of the disaggregation of the Outcomes First group is included in Appendix 2.
- During the last 3 years the sector has increasingly experienced the use of unregistered residential provision, as described by the Children's Commissioner's studies, most recently in January 2026.³ It is unclear as to

³ <https://assets.childrenscommissioner.gov.uk/wpuploads/2026/01/cc-illegal-childrens-homes-Jan-26.pdf>

how much of the local authority spending noted above includes this spending in the residential category. It is similarly unclear as to whether any of the providers in the sample we study here are engaged in such activity. Several providers of registered services report being unwilling to offer ancillary unregistered services due to the risk of reputation damage to their core registered business. Further study and clarification of the unregulated sector would be worthwhile.

Income

As discussed above, the visibility of separate children's services elements of a small number of providers' overall performance has been challenged in recent studies due to ownership changes, mergers and disaggregation.

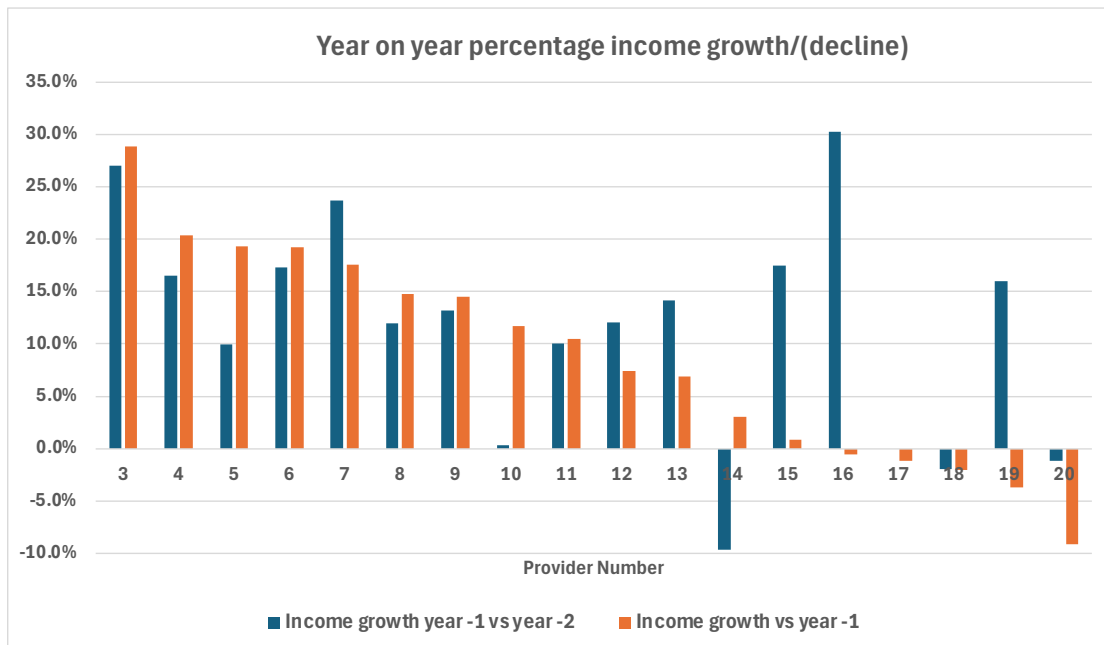
In this report, information for 17 out of the 20 sample is available to enable analysis of income and profit trends in children's social care services.

Fee income (or "turnover") reported in the published financial statements of provider organisations gives the clearest indication of the level of purchasing of services by local authorities with each sampled provider. With no significant private-individual funding for the services covered by this research, the income of providers is almost exclusively derived from fees invoiced to councils for placements.

We estimate that the total children's services income of the full sample in their latest reported accounts is £2 billion.

For the 17 providers where trend information is available over the two previous years the average growth rate over two years was 26%, with 9% of that growth coming from the most recent one-year period. This indicates a slowing of growth rate over the period of the study.

Provider growth rates are lower than the growth rates in reported spending by local authorities discussed above. This would indicate that spending with smaller and medium sized providers, and perhaps also unregistered providers may have been growing at a higher rate than with this large provider sample, shifting the overall market influence away from the largest providers, a trend not seen in previous studies.



The growth rate is clearly not uniform across the providers studied, with providers performing at markedly different levels ranging between 29% growth (Homes to Inspire/Shaw Trust) and 9% contraction (Capstone) in the last year.

The five providers reporting reducing income in the latest reported year are all IFAs, with 4 of the 5 providing no services other than fostering.

Not all providers with a fostering arm are experiencing reduced income, those with other services (e.g. residential and education) are still reporting growth. However, 6 of 7 providers reporting the highest annual one-year growth are predominantly, or exclusively, residential services providers, often with associated education.

This is the first study in this series where this differentiation of performance based on fostering vs residential services is indicated.

Growth of income reported by providers is still a mix of organic growth and acquisition driven growth, but the impact of the level of acquisition activity may be reducing compared to other periods in the last two decades. Appendix 4 details the acquisition activity of the large provider groups and concludes that there has been reduced activity across the period covered by the most recent financial reporting.

Changing Government policies towards independent sector bodies, workforce challenges (both in reducing numbers of foster carers nationally, but also in recruiting and retaining residential managers and staff) and a reduction in investor appetite could all be contributing to a slowing of growth of larger providers.

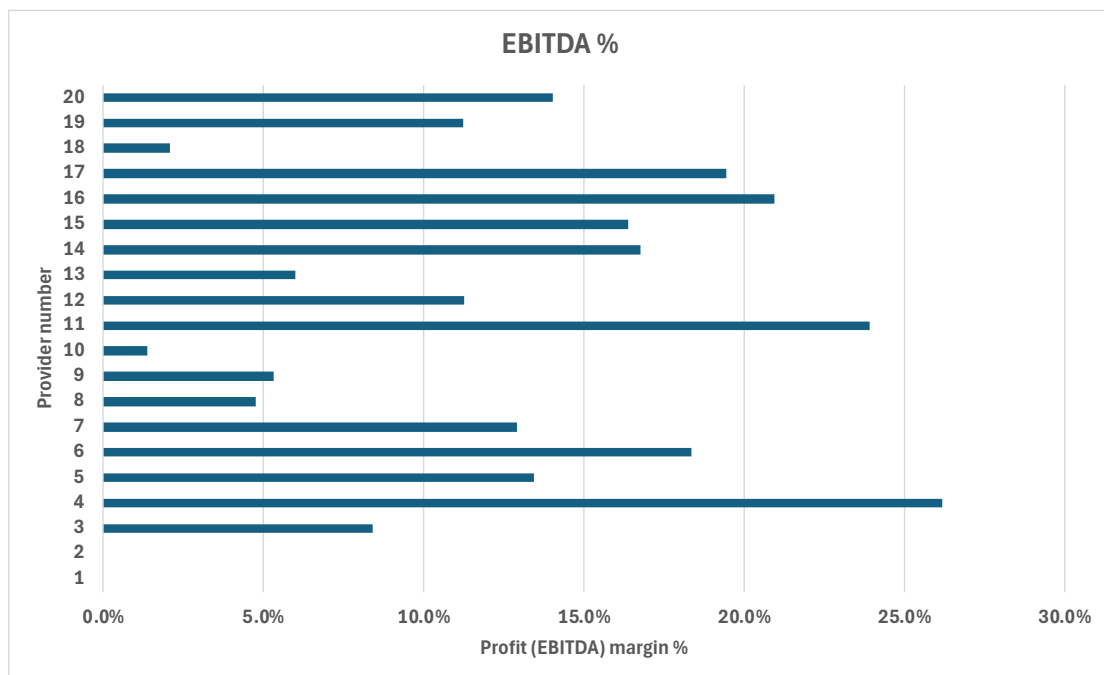
Profitability

Whilst trends in income reported by providers gives the primary indicator of growth (or decline) in activity, it is the ability of the operations of each provider to deliver their services and to yield a profit or surplus out of the income that is of fundamental importance to the sustainability of the providers.

Profitability levels inform and fund future investment in quality and growth, and (in the private sector) the provider's ability to distribute returns to owners.

As discussed in Appendix 1 we use EBITDA as the measure to examine the financial performance of the providers in this study. Profitability is also expressed as a percentage of the income level; this is usually referred to as the profit or EBITDA "margin".

For the 17 out of 20 providers where profit and profit trend information is available the average profit margin in the latest reported period of accounts is 17.1%. This is a reduction (for the same 17 providers) compared to the last 2023 study where the average profit margin was 17.8%.



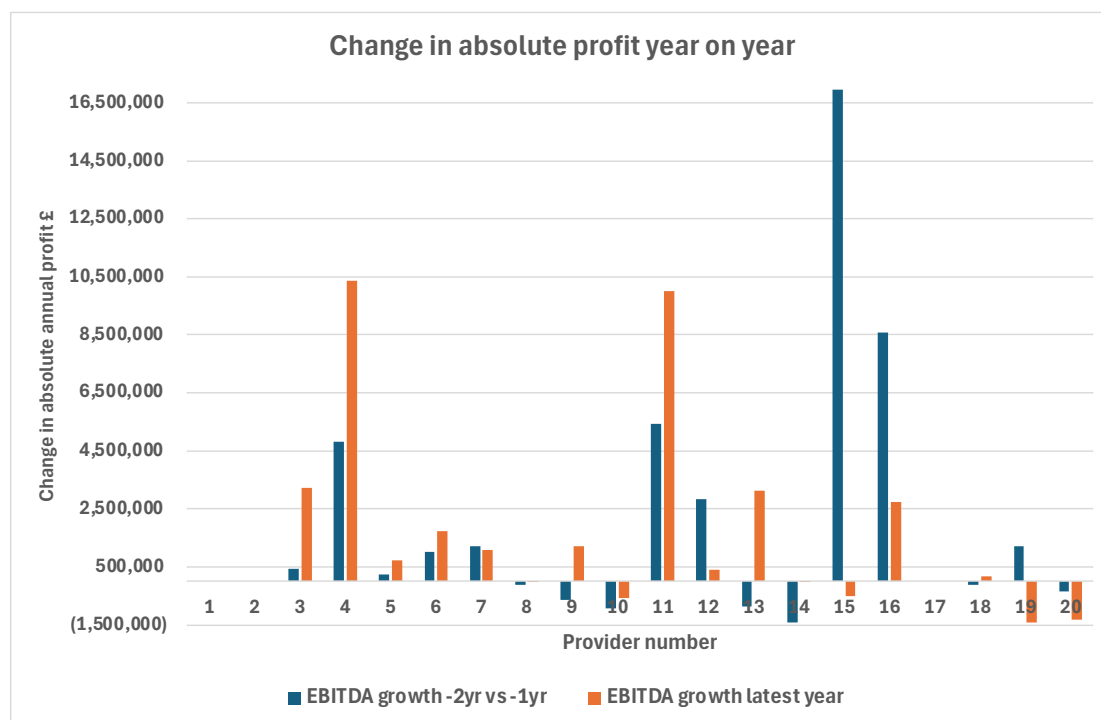
Profit margin at the individual provider level ranges between 1.4% for TACT and 26.2% for Witherslack again demonstrating wide variability in provider level performance.

Six of the sample report profit/surplus margins below 10%, and these include all three voluntary sector owned bodies.

Some differentiation of performance of fostering vs residential is again indicated, with 5 of the 6 lowest margin providers all offering fostering services, three of those not being involved in any services other than fostering.

Conversely, amongst the highest profit margin providers, 5 out of 6 operate residential services as part or all their services.

At the individual provider level, the impact of different income levels and growth rates combines with the varying profit margins to produce a very mixed picture of overall performance.



Clearly there is not a relentless or uniform march to increased levels of profits or surplus being made in the sector. Performance varies significantly provider by provider and year on year. A strong profit growth of just a few of the very largest providers can heavily influence the overall picture, whilst within it, some of the largest 20 have struggled to grow profitability in the last 3 years reported.

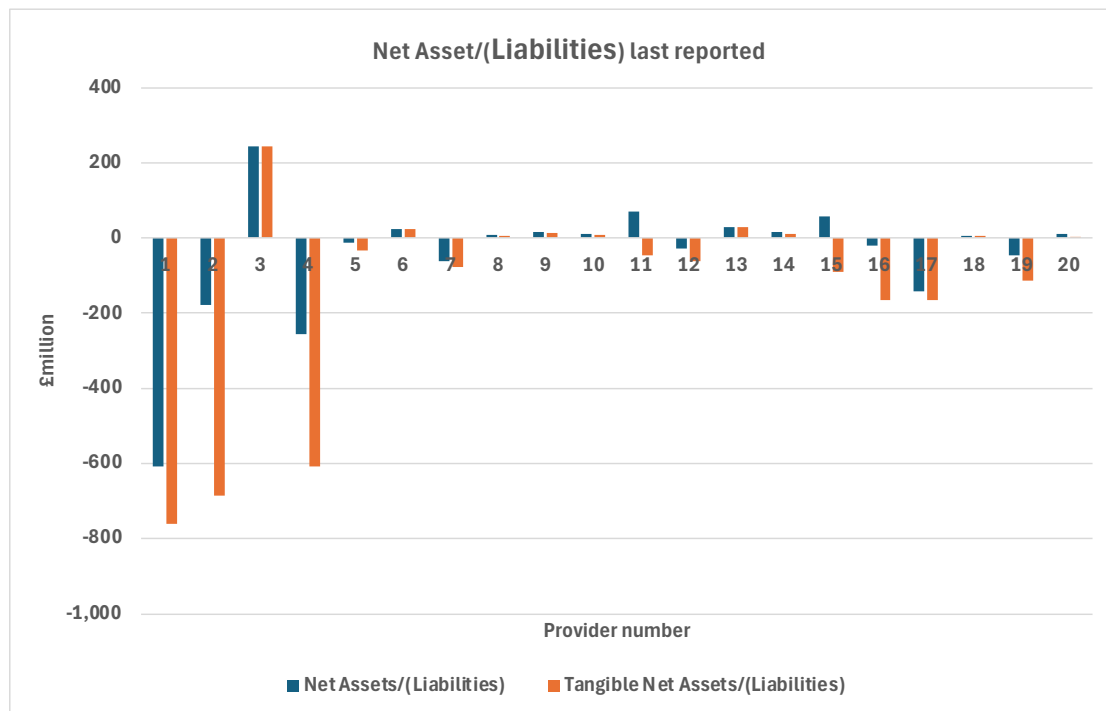
In 6 of the 17 providers where year on year children’s services profit performance can be tracked, profit growth reduced, or profits declined in absolute terms in the most recent period compared to the year before.

Given the observations earlier it is unsurprising to also detect that the weakest performance tends to correlate more closely with those providers offering fostering services, and the strongest performance comes from the residential and education-based sectors.

Sustainability and Solvency risk indicators

The indicators used in these studies to give insight to debt and solvency issues are described and defined more fully in Appendix 1 and are unchanged from previous studies.

Net Assets or Liabilities are derived from the balance sheet of the provider at the last reported balance sheet date. The second indicator, Tangible Net Assets excludes intangible assets (e.g., goodwill) from the calculation.



The substantial net liabilities illustrated above of some of the largest providers have attracted attention in recent years from commentators on the sector.

The way in which investors finance the acquisitions they make in the sector is a primary cause of the net liability positions reported. Funds raised by the investors and banks to acquire providers from their previous owners are usually accounted for as liabilities of the provider group. The terms of repayment of such funding are unique to each provider but may include a schedule of repayments over several future years or may only be due for repayment if the investor sells the provider group to another investor.

The critical tests of the solvency and sustainability of providers therefore need to look at whether there is reasonable expectation that the operation cashflows of the provider organisation, and in particular the operational profits and cash that profit generates, will be sufficient to meet those funding repayments, and the ongoing interest obligations on those loans, as they arise.

Of primary concern are the “external” loans, those raised from third party lenders and banks. These will often have secured and preferential rights over the group’s assets. The loans they make will usually have relatively fixed repayment dates, albeit over several years ahead. Failure to meet those repayments would be a key sustainability threat to the provider and therefore the placements of children with that provider.

Further loans or capital from the owners/investors will also be shown in the financial reporting of providers, but the owners may have greater flexibility in relation to repayments, and in relation to interest payments. The investor may be taking the view that their real return on capital invested in the provider will not be repaid until they sell or exit from ownership to another investor.

This series of studies looks at two indicators of a provider's ability to meet interest obligations and how many years of operational cashflow will be needed to repay the capital amount of external loans. By comparing these results to the repayment terms disclosed in the financial statements of providers identifies any providers where breach of the interest and repayment terms may be a risk.

For this study, at the last reported balance sheet date of each provider, there are no providers where the interest cover is less than one year. This means that all the providers were generating sufficient operational profit and cash to be able to pay their interest bill on the debt due to external sources of finance.

However, there are 8 of the 20 providers where the interest cover is between 1 and 3 years. This means the amount of profit made and cash generated from that profit in the last year would be enough to service the annual interest on external loans up to three times over. This is a low safety margin if the provider is also obliged to make substantial loan capital repayments in the next few years.

The safety margin would be further eroded if the provider is struggling to sustain their operational performance as that could also start to compromise ability to pay loan interest. Some of the 8 providers in this study with interest cover below 3 years are fostering organisations that are experiencing increased challenges in maintaining growth and profitability as described earlier.

Where providers in the sample have substantial loan liabilities, for many their operational performance would appear to offer indication that the repayments to external debt holders will require sustained operational and profit performance. However, in many cases the margin for slippage in performance or unexpected financial shocks is thin and needs to be continuously monitored.

There are however two providers in the sample where the number of years to repay external loans calculated from the latest reported information gives concern as to ability to repay existing loan obligations. In those situations, the provider and investor will need to seek to re-finance the loans, negotiating lengthened terms with existing or new banks. Alternatively, if the provider is sold to a new investor the incoming investors usually bring their own sources of external finance into the picture on new terms.

As we have discussed in earlier reports in this series, investors and lenders closely monitor the debt position of individual providers, and some will tolerate the risk in circumstances where there may be difficulties in meeting all the liabilities reported.

Take for example the below disclosure by the directors of one of the providers in the sample in their most recent financial statements:

The directors also expect that repayment of the external loans due for repayment in 2027 and shareholders loan notes due for repayment in 2028, will be settled either by re-financing on similar terms or an exit event of equity shareholders, as the Group is currently unable to repay from trading activities alone.

Whilst there is an uncertainty that either the debt will not be re-financed on similar terms or an exit event occurs, the directors have concluded that it is appropriate to use the going concern basis for the preparation of the Group and Parent Company financial statements.

There is clear tension between the uncertainty that high levels of debt can bring and the need to ensure that providers of services for children and young people be stable and sustainable for a reasonable number of years ahead. Government has been urged in recent years to consider an oversight and monitoring regime for providers of children's social care services.

Government policy

The Children's Wellbeing and Schools Bill is in the final stages of parliamentary process and expected to become law in 2026.

Areas of the Bill that may be particularly relevant to the children's social care provider markets are:

1. The power for the Secretary of State to direct groups of regional local authorities into regional co-operation.
2. An obligation on providers of services to provide financial and ownership information to the Secretary of State, and
3. An enabling power for the Secretary of State to pass secondary legislation to limit the profits of providers.

Government is already pursuing the associated policies. In March 2026 it invited regional groups of councils to apply for funding to establish regional care co-operatives, with the explicit belief that such aggregated purchasing bodies can obtain better deals from the provider sector. This follows the pilot project with two areas in 2024/25.

Regional Care Cooperatives face numerous challenges, and this study adds insight for the leadership of RCCs to consider in their strategic approaches:

- There is clearly a significant part of the sector occupied by the larger providers, many having services nationally, or in multiple regions. RCCs may need to consider how to address this provider group as individual RCC negotiations or together.
- If competition for resources is generated between RCCs then this may undermine the benefits the policy seeks to gain.
- Protocols may be needed whereby an RCC in one geographical area agrees not to secure preferential access to services located outside of the home RCC area.
- Differentiated approaches between fostering and residential may be required. If RCCs and Fostering Hubs further undermine IFAs this could impact confidence in the sector and, worst case, precipitate destabilisation of the service base.
- If prices and profit margins of providers are impacted by RCC activities in coming years, and if government financial oversight will focus on the largest providers only, RCCs will additionally need to consider how to monitor the financial sustainability of the broader provider base in their area. That activity can bring significant market intelligence to RCC strategic approaches.
- One-size-fits-all procurement approaches have largely failed the sector historically and new commercial approaches are needed with greater risk and reward sharing and relational commissioning approaches adopted around longer term, more stable contracting.

Appendix 1

Method and technical descriptions

1. Local authority spending data (section 251 return based) was accessed to describe the level of spending on foster care and residential children's services as reported to the Department for Education by local authorities in England. Ofsted reporting in relation to the largest providers of services was also used to illustrate the representativeness of the sample of providers in this update.

2. The largest provider organisations were identified utilising a model that was primarily based on data provided by Ofsted in relation to the capacity of children's homes and fostering agency organisations operating registered services.

Where available the accounts of candidates for selection are accessed to examine revenue levels and to compare to revenues reported by the previous studies.

These activities allow the selection of the largest 20 providers based on their revenue levels from children's services and fostering.

3. The latest available audited public accounts of the identified providers were downloaded from Companies House for the sample of providers (up to 31 March 2026).

4. Key information and indicators from the downloaded financial statements (see details in Appendix 2) were extracted.

The information extracted included turnover, operating profits, financing costs, data required to calculate EBITDA, external funding levels and terms, solvency indicators and data to calculate the same. Technical descriptions of data and calculations follow in this Appendix below.

5. Results were screened to identify providers where the separation of results of fostering vs children's homes vs other services can be achieved. The availability of such analysis was again severely limited and is not therefore reported in this study. Results presented in this report are therefore a mixed or blended aggregate of each provider's services combined.

6. To normalize results to an annual measure, adjustments to reported results are made in several ways to produce the analysis presented in this report. It is also important to use only meaningful balance sheet information for the solvency indicators, and that information exists for some of the providers studied at a higher parent or holding company level than the entity or subgroup where operations results are reported. For example:

- Periods of reporting that differ from 365 days are adapted on a pro-rata basis to produce annual estimates.
- Part year acquisitions disclosed in parent group accounts are similarly estimated to a pro-rata annual equivalent.
- Many of the providers in this study are solely engaged in children's services and hence the whole result of the parent group is used in this report. However, for some the children's services results are only part of the results of the wider group and, in some cases, can be extracted from those of the

larger groups in different ways. For this study the following specifics are relevant:

For this version of the report, it has not been possible to estimate the children's services income and profit results from Caretech or the Keys Group. Caretech and Keys solvency is assessed at the full group level.

SWIIS Foster Care results are from the operations of the company in England and a separate Scotland based operation. However, solvency information can only be meaningfully taken from the parent SWIIS International entity.

Homes 2 Inspire children's services performance is accessed via the entity bearing that name, but solvency data is accessed via the Shaw Trust parent entity.

7. Profitability – what to measure?

There are several different measures of profitability, each with its own purpose. Audited financial statements include several measures of profit in the published Profit and Loss Account statement (one of the key sources of information in any set of accounts).

The different profit measures used are essentially different from one another based on what they include and exclude from the calculations.

Some of the key differentiators are related to the inclusion or exclusion of:

- Corporate Taxes where these are payable (primarily in the private sector).
- Interest receivable and interest payable (this relates to the financing structure of the business).

These are not the only differentiators.

If the purpose of examining profitability is to obtain an understanding and insight to the profitability of the underlying trading or operations of an organisation, then there are additional profit measures that can be derived from the information disclosed in accounts. Some larger providers sometimes disclose this calculation in their own accounts, and we seek to use that calculation.

This report seeks to examine that underlying trading picture as a key objective.

The financial accounts of a provider include all or most of the costs of providing the service in addition to the income levels. It is therefore possible to gain some indication of what level of profit is earned from the fees received using the accounts information.

The measure used in this study seeks to remove the “noise” of non-trading items from the profit measure it uses.

The measure is:

EBITDA = Earnings before Interest, Tax, Depreciation and Amortisation

The elimination of depreciation and amortisation removes accounting complexities related to what are essentially capital transactions. Whilst not unimportant, they are often removed when just the underlying annual trading position is being examined.

This measure is also widely used in financial analysis and is used extensively by the investment industry. These calculations often seek to eliminate any exceptional, non-recurring costs from the EBITDA measure to illustrate the true underlying result of the operational performance. Such further adjustments may include one-off integration costs following a large acquisition, or exceptional one-off adjustments for example in relation to a large asset sale.

Some providers also treat the start-up costs of investment in new capacity as exceptional, non-recurring costs. However, this approach is not consistent across all providers. Where these costs are shown as exceptional, they are added back in the EBITDA calculation. For consistency we use the same method for the provider for both the current, and comparative year.

Most providers do not however self-disclose the EBITDA calculation, so it is derived and calculated from figures extracted from the accounts of those providers using the formula above.

Some of the non-recurring items that are excluded to calculate EBITDA are potentially subjective and may require further information that is not included in the published accounts. We would again invite any provider representatives to contact us if they would like to clarify or suggest changes as to how the calculations are made.

Some financial analyses go further in also looking to eliminate rental costs of property, but this study has not taken that further step. Several providers report sizeable operating lease costs, often in relation to rental of property used by the provider. These costs raise the possibility that and profit or loss on renting property to the operating business is not included in the reporting we have accessed. It remains a possibility to extend this type of study in a way to examine this factor further.

8. Solvency and sustainability – what to measure?

Solvency of a business is essentially related to an organisation's ability to generate cash and thereby to be able to pay its bills as they become due.

Without that ability an organisation's survival becomes increasingly dependent on the willingness of those who are owed money to support the organisation while it goes about raising enough money to settle its liabilities.

If those parties owed monies lose confidence in the ability of the business to repay the sums due then it can lead to sale, liquidation, and cessation of the business altogether.

Some organisations are heavily dependent upon the continued support of the owners and funders of the business to remain sustainable in the short and medium term.

Measures used in this study look at both balance sheet measures of solvency and at the relationship of cash generated by the operational trade of the business to the requirement to pay interest and capital amounts back to funders.

As indicated above, where the children's services operations of a provider are only part of the activity of the wider organisation, or where funding comes from a parent company then the solvency indicators used are those of the group, as any subsidiary level analysis is relatively meaningless.

Solvency and Sustainability indicators

Balance Sheet Total Net Assets/(Liabilities) – fundamentally, does the business have more assets than liabilities as at the balance sheet date?

Net Tangible Assets/(Liabilities) – More of an acid test that assumes intangible assets such as the goodwill accounted for at acquisition of a business has zero value (e.g., in a winding-up process).

Interest Cover: (EBITDA: Interest Paid ratio) – Asks the question as to how easily the current operations can at least pay interest on borrowings as it becomes due for actual payment.

Years to pay bank debt – How many years would it take for current levels of trading to generate enough cash to pay off money due to third party banks/funders only (typically those with security over the business assets and the right to step in and liquidate if necessary)?

Appendix 2: Ownership and entities

Group name in this study	Group entity(ies) accounts studied	Entity number(s) (Companies House number)	Ultimate ownership controlling party	PE involvement?
National Fostering Group (see note 1 below)	SSCP Spring Topco Limited	09248650	SSCP Spring Holdings SCA (Luxembourg) is the ultimate parent undertaking. Funds managed by Stirling Square Capital Partners Jersey AIFM Limited are the ultimate controlling parties.	Yes
Caretech	Amalfi Midco Limited	14185820	Amalfi Topco Limited (Jersey)	Yes – Indirectly via Ares Management
Polaris	Nutrius UK TOPCO Limited Ursae Topco Limited from July 2024 (Jersey), Ursae Holdco LP (March 2025)	11598370	CapVest Equity Partners III LP	Yes
Aspris	Aspris Holdco Limited	13534635	Waterland Private Equity Investments B.V.	Yes
Keys Group	Keys Group Limited	14101282	G Square Capital (GP) CV LLP	Yes
Witherslack	Witherslack Topco Limited	13538818	Mubadala Capital (from Aug 2021) via MIC Capital Partners III GP, LP (Cayman Islands).	Yes
Compass Group	Advent Topco Limited From May 2024: Liberi Topco Limited.	11053915 15554375	Change of ultimate control May 2024 from funds managed by Graphite Capital to Cap10 Partners Fund I Masterco S.a.r.l Fabrice Nottin considered the ultimate controlling party.	Yes

BSN Social Care	Orange Cloud Topco Limited	13044988	MML Capital Europe V11 Equity 1v S.A. (Luxembourg) has significant control but in the opinion of the directors there is no ultimate controlling party.	Yes
Five Rivers	Midhurst Child Care Limited	05657414	P J McConnell	No
Horizon	Range Topco Limited	12135972	Ordinary shares are held by individuals and funds managed by Graphite Capital. No individual holds more than 20%.	Yes
TACT	The Adolescent and Children's Trust	2779751 Charity 1018963 Charity Scotland SC039052	Members/Trustees	No
Capstone	Capstone Foster care Limited	06128293	Capstone EOT Trustee Limited	No
Together Trust	The Together Trust	301722 Charity 209872	Members/Trustees	No
Esland/Oracle	Picnic Topco Limited	11732793	August Equity Partners IV GP Limited No single ultimate controlling party.	Yes
Hexagon	HCS Group Limited	11241666	M. L. Bell	No
SWIIS	SWIIS Foster Care Limited	03985713	Controlling company SWIIS International Limited.	No
	SWIIS Foster Care Scotland Limited	SC273400	Ultimate controlling parties G S Dadral and K Dadral	
	SWIIS International Limited	04499819		
Sunbeam	Sunbeam Fostering Group Limited	07298774	M Haneef, N Ahmed, K S Dhull. No Ultimate Controlling Party	No
Your Chapter (formerly Care 4	Your Chapter	10082417	R Khan and Ms A Khawaja share significant control of Topco.	No

Children until May 2020)	Holdings Limited (From Sept 2024 – Your Chapter Topco Ltd)	15910330	Directors do not consider there to be an ultimate controlling party.	
Homes 2 Inspire	Homes 2 Inspire Limited Shaw Trust Limited	10592680 01744121 Charity 28775 Charity Scotland SC039856	Homes 2 Inspire ultimate ownership and controlled by Shaw Trust Limited Members/Trustees	No
Pebbles and others	Ardenton Care Holdings Limited	12230654	Immediate parent is Ardenton Capital Investments Limited (ACIL). ACIL's ultimate controlling party is Ardenton Capital Corporation (Canada)	Yes

Note 1: The disaggregation of OFG and NFG.

In our previous studies between 2020-2023 the Outcomes First Group/National Fostering Group, consolidated into the accounts of SSCP Spring Topco and under ownership of Stirling Square Capital, was consistently at the top of the largest providers of children's services analysis. In the last published version of the report in 2023 the group reported annual income of almost £500m.

During the earlier years of the group's formation, as Stirling Capital supported various acquisitions, it was clear that the combined group included a variety of different services. Some, such as fostering and children's homes that focused predominantly on children's social care services, therefore coexisted alongside a substantial special education and schools-based capacity that provided services to a wider cohort and that attracted funding from education-based sources.

In the last two years the group has been disaggregated.

In December 2023 the education division, including residential children's homes, was sold to a new investor, the Rise Fund, part of TPG Inc (formerly Texas Pacific Group) along with Investcorp. This is now operated through Oasis Topco 1 Limited but retains the Outcomes First Group (OFG) branding.

The National Fostering Group (NFG) was then only set of services remaining in the original SSCP group.

In August 2024 the standalone children's homes of OFG were further disaggregated and sold to the Keys Group.

Appendix 3

Reporting periods

	Legal entity	Brand	Jul-Sep 2022	Oct-Dec 2022	Jan- Mar 2023	Apr-Jun 2023	Jul-Sep 2023	Oct-Dec 2023	Jan-Mar 2024	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024	Jan-Mar 2025
1	SSCP Spring Topco Limited	Outcomes First/NFG											
2	Amalfi Midco Limited	Caretech											
3	Nutrius UK Topco Limited	Polaris											
4	Aspris Holdco Limited	Priory/Sandcastle											
5	Keys Group Limited	Keys/Accomplish											
6	Witherslack Topco Limited	Witherslack											
7	Advent Topco Limited/Liberi Topco Ltd	Compass											
8	Orange Cloud Topco Ltd	BSN Social Care											
9	Range Topco Limited	Horizon											
10	Midhurst Child Care Limited	Five Rivers											
11	Capstone Foster Care Limited	Capstone											
12	The Together Trust	Together Trust											
13	HCS Group Limited	Hexagon											
14	Picnic Topco Limited	Esland											
15	The Adolescent and Children's Trust	TACT											
16	Your Chapter Topco Limited	Your Chapter											
17	Sunbeam Fostering Group Limited	Sunbeam											
18	SWIIS Foster Care Limited/SWIIS Int.	SWIIS											
19	The Shaw Trust	Homes 2 Inspire											
20	Ardenton Care Holdings Limited	Pebbles											

The list above shows all twenty provider groups studied, including identification of the legal entity at the top of the ownership chain. In addition, a brand name for each provider is allocated as these may be more recognisable to readers. Appendix 4 lists recent acquisitions into these providers.

Each blue block in the figure above represents financial information retrieved for this study. For UK based companies, the Companies Act 2006 generally requires companies and groups to submit independently audited accounts on an annual basis, and to do so within 9 months of the end of the year the accounts relate to (public limited companies (PLC) such as those listed on the London Stock Exchange (LSE) have only 6 months to do so).

Companies can select the annual start and end date for financial reporting; hence companies report to a variety of different schedules. As can be seen in the figure above, companies use a variety of start/end periods for their reporting, and in certain circumstances can alter the length of the period reported to a longer or shorter period

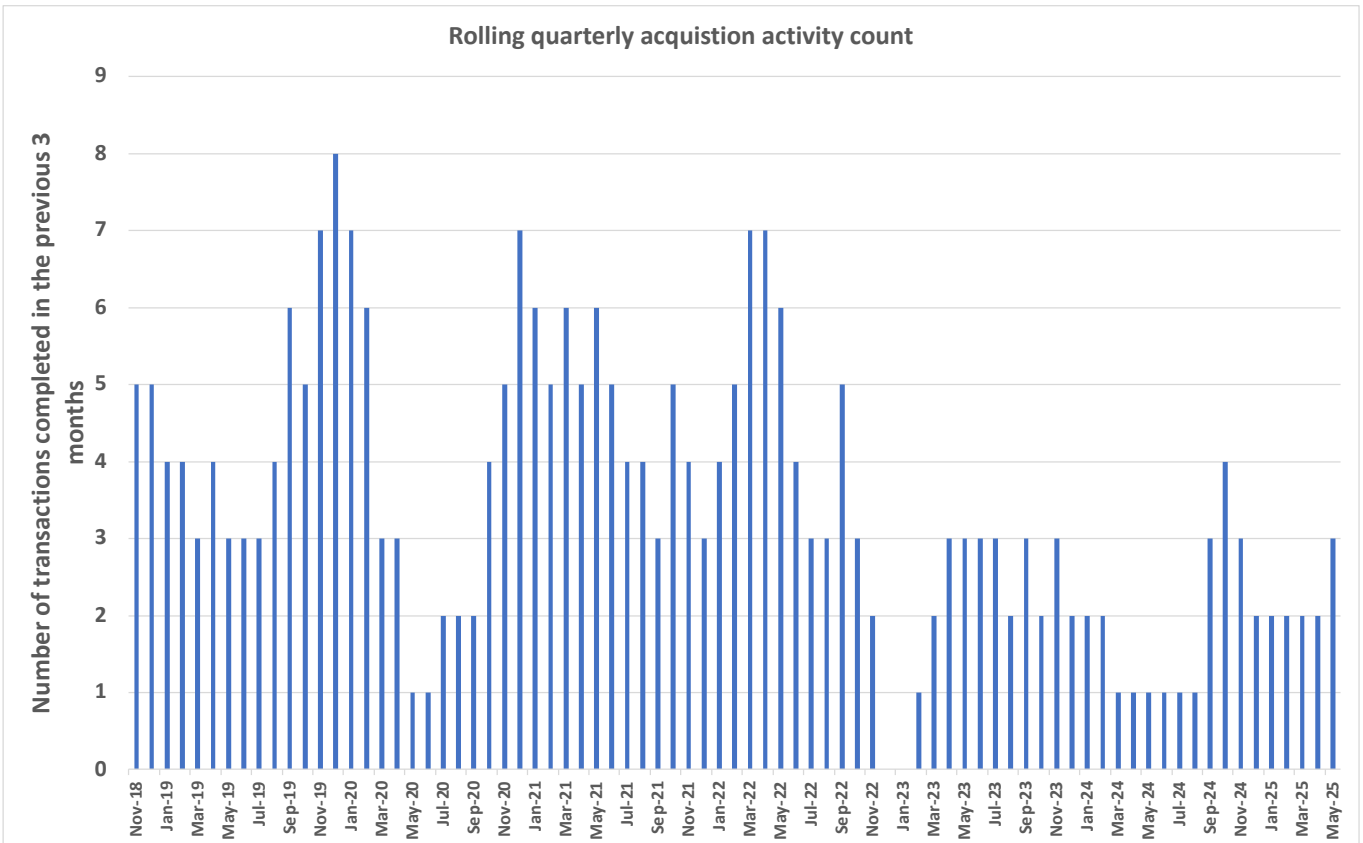
than the usual annual reporting.

The dark blue blocks are the most up to date information that has been published since the 2023 report and that are used in this update report. In some cases, providers have filed three sets of accounts since the previous study. On average, the study can be said to represent the 2024 calendar year.

Appendix 4

Acquisition activity trend.

The chart below is a rolling three-month count of the acquisition transactions reported by the top 20 providers in their statutory reporting.



Acquisition activity was increasing in the autumn of 2019 and early 2020 until the impact of Covid uncertainties and lockdowns on social care dampened the number of deals being concluded. However, by late 2020 activity had returned to pre-Covid levels.

Note that 2024/25 levels shown may increase once information provided retrospectively by the filing of accounts for 2024/25 is available. However, there is some evidence here that acquisition activity has again reduced in the sector since 2023. Whilst we can only speculate as to the reasons for this, there is unprecedented focus on the sector and on the profitability of provider organisations from Governments in England, Wales and Scotland that has been growing since 2022. Investors may be changing their attitude as to the attractiveness of children's services as a sector considering policy and statute changes that may impact on the finances of provider organisations in the next few years.

The full list of acquisition activity that underpins the chart above is listed below. The primary source of information about acquisitions are the disclosures made in the specific financial statements that form the basis of the whole report, although these are supplemented by additional information discovered in the public domain during this update. It is not intended to be a comprehensive list of all activity in the sector.

Date	Target	Acquiring Group
Sep 2018	Safehaven	Five Rivers
Oct 2018	Reach Out Care	SSCP/Stirling Square
Oct 2018	Core Assets Group	Nutrius/CapVest Equity
Nov 2018	Safehouses North	Five Rivers
Nov 2018	The Fostering Company North East	Five Rivers
Dec 2018	Sandcastle Care	Waterland Private Equity
Jan 2019	PiCS and Boston Holdco B	Nutrius/CapVest Equity
Feb 2019	House of Falkland (Westfield Jacob)	SSCP/Stirling Square
Feb 2019	Esland Group	August Equity
Apr 2019	Family Placement.com	SSCP/Stirling Square
Apr 2019	SFS	TACT
May 2019	Aurora Care Young People's Services	Horizon/NBGI
Jul 2019 (Dec 2019 – CMA clearance)	Outcomes First Group	SSCP/Stirling Square
July 2019	Queensmead Property	Witherslack/Charme Cap
Aug 2019	Horizon	Graphite Capital
Aug 2019	Help Me Grow Fostering Services	BSN/Alderbury
Sep 2019	Ferndale Child Care Services	Compass/Graphite
Sep 2019	Cressy Oasis Ed	Horizon/Graphite
Oct 2019	Sussex Fostering	BSN/Alderbury
Nov 2019	Pathfinders (bus acq)	Sandcastle/Waterland
Nov 2019	Portixol UK	Sandcastle/Waterland
Nov 2019	Pebbles Care	Ardenton Capital
Nov 2019	Care Holdings	Ardenton Capital
Dec 2019	Tumblewood Project	Witherslack/Charme Cap
Dec 2019	Build-A-Future	Keys/G Square
Dec 2019	Cornerways Fostering Services	BSN/Alderbury
Feb 2020	Holistic Childcare (Gilmourbanks & High Trees)	OFG/SSCP/Stirling Square
Feb 2020	AS Investments (UAE)	Caretech
Feb 2020	Artemis/Unique Care Homes	Keys/G Square
May 2020	SWCS	Keys/G Square
July 2020	Oracle Care & Ed	Esland/August Equity
Aug 2020	Next Step Fostering (AW Consultancy & Lesley Ann Consultancy)	OFG/SSCP/Stirling Square
Oct 2020	Bryn Melyn	OFG/SSCP/Stirling Square
Oct 2020	Elevate Propco	Care 4 Children
Oct 2020	Smartbox	Caretech

Nov 2020	Enhanced Children's Services/Enhanced Foster Care/Wessex College	OFG/SSCP/Stirling Square
Nov 2020	Huntercombe Group (adult facilities)	Caretech
Dec 2020	North Lakes	Polaris/Nutrius/CapVest
Dec 2020	Capstone	Capstone Employee Ownership Trust
Jan 2021	Priory Ed & Care	Waterland Private Equity
Jan 2021	Mayne Enterprises Ltd	Compass/Graphite
Feb 2021	Elevate II Limited	Care 4 Children
Mar 2021	Dove Adolescent	Polaris/Nutrius/CapVest
Mar 2021	3 Dimensions Care Ltd	OFG/SSCP/Stirling Square
Mar 2021	BSN Social Care	Significant control acquired by MML Capital Europe
Apr 2021	Area Camden Limited	Polaris/Nutrius/CapVest
May 2021	Southern Adolescent Care Services Limited	Keys Group/G Square
May 2021	Potton Homes Ltd	Compass/Graphite
June 2021	Quality Foster Care	Five Rivers/Midhurst
June 2021	Headway Adolescent Resources Ltd	Polaris/Nutrius/CapVest
Aug 2021	Priory Ed & Care	Aspris Holdco
Aug 2021	Witherslack	Mubadala Capital invests
Sept 2021	Olive Branch Fostering Ltd	BSN/Orange Cloud/MML
Oct 2021	WP Associates Limited	OFG/SSCP/Stirling Square
Oct 2021	Care First Management Limited, Respite Breaks Ltd, Community Prospects CIC	OFG/SSCP/Stirling Square
Nov 2021	REHAVISTA GmbH	Caretech
Jan 2022	Perpetual Fostering Ltd	BSN/Orange Cloud/MML
Jan 2022	Sandcastle/SC Topco	Aspris/Waterland
Jan 2022	Eagle House Group Ltd	Witherslack/Mubadala
Feb 2022	Wellness Group	Caretech
Feb 2022	Dmetco-Bayti Group	Caretech
Mar 2022	Peak Activity Holdings Ltd and Peak Activity Services Ltd	Keys Group/G Square
Mar 2022	Hollyblue Healthcare (Arden) Ltd	Aspris/Waterland
April 2022	Bramley Care Limited	Polaris/Nutrius/CapVest
April 2022	Bay View Child Care Holdings Ltd	Polaris/Nutrius/CapVest
April 2022	Considerate Care Limited	Keys Group/G Square

May 2022	Oasis Adolescent Services Limited	Your Chapter
July 2022	Regional Foster Families	BSN/ Orange Cloud
July 2022	Keys and Accomplish merger	G Square
Aug 2022	The London Children's Practice (2009) Ltd	OFG/SSCP/Stirling Square
Sept 2022	Fostering with Cariad	BSN/ Orange Cloud
Sept 2022	Haven Street Holdings Ltd	Keys Group/G Square
Dec 2022	Sutura Group Ltd (The Ryes College Ltd)	Keys Group/G Square
Feb 2023	Unity Foster Care Limited	BSN/ Orange Cloud
Mar 2023	BHIS Holdings	Aspris/Waterland
Apr 2023	Anew Young People Services Limited	Keys Group/G Square
May 2023	Sandude Limited	Polaris/Nutrius/CapVest
June 2023	Talk To Me Technologies	Caretech
July 2023	Artemis Support Limited	Compass/Graphite
Sept 2023	Buzz Learning Limited	OFG
Sept 2023	Patramus Limited	Witherslack/Mubadala
Nov 2023	AFA Fostering Ltd (Anglia Fostering Agency)	BSN/ Orange Cloud
Dec 2023	OFG disaggregated from NFG	Rise Fund/Investcorp
Feb 2024	BDT Care Solutions Limited	Ardenton
May 2024	Compass	Cap 10 Partners/Fabrice Nottin
Aug 2024	Children's homes business within OFG (Bryn Melyn Care, Hillcrest Children's Services, Wessex College, Pathway Care Solutions)	Keys Group/G Square
Sept 2024	Pegadas Holdings Ltd (Footprints foster care Ltd.)	Sunbeam
Sept 2024	Darwen Children's Services (incl. Life Change Ltd and JSA Psychotherapy Ltd)	Midhurst/Five Rivers
Oct 2024	Foster Care Values Limited	TACT
Dec 2024	Aspris Fostering Services	Capstone
Jan 2025	Behandlingskolerne ApS (Denmark)	Witherslack/Mubadala

Mar 2025	Nurture Childcare Services Ltd	Ardenton
Apr 2025	ALG Group Limited	Keys Group
May 2025	Adhd360 Limited	Keys Group

Appendix 5

Limitations of data and areas for potential further study

Limitation	Further study
Statutory accounting information includes some useful details in relation to debt repayment schedules, but the accounts are historical and do not offer information to assess ability to pay.	Further scrutiny of the terms of loans and other financing and the internal stress testing performed for going concern consideration would require additional disclosure by providers.
There is a perception of a lack of clarity as to responsibility for monitoring of provider solvency and performance.	A statutory monitoring regime is being introduced via the Children's Wellbeing and Schools Bill expected to gain Royal Assent in 2026.
Information at Companies House is historical and for corporate bodies only (i.e., excludes partnerships)	Extra-statutory reporting of management information and forecasts by providers are required for greater clarity.
Information at Companies House is limited for small and medium sized providers.	Consider additional disclosure requirements for all providers of children's social care services through statute or via a sector-led (RCC-led?) transparency code.
Information is usually for the whole company or group and not reported segmentally.	Consider development of a sector-led transparency code.
Profitability of some provider organisations is not completely visible due to transactions with other related parties or use of partnership structures.	Carry out EBITDAR (and other measures) analysis and interview providers. Consider development of a sector-led transparency code.
Charity accounts are not always suitable for this type of analysis and other issues arise for charities (e.g., pension liabilities)	Consider development of a charities-sector specific study.
Monitoring of return on investment made by private ownership is not a statutory requirement and sometimes not possible through reconstruction.	Consider development of a sector-led transparency code or increased disclosure regulation.