

Response to the Competition and Markets Authority (CMA) Market Study – Early Years Education and Childcare

Submitted by: The Managing Director of an Ofsted Outstanding independent family-run nursery established in 1986 - Archfield House Nursery (caring for 103 children each day)

Introduction

We welcome the opportunity to contribute to the CMA's market study into early years education and childcare.

We are an independent, family-run nursery that has been serving our community since 1986. Throughout almost four decades we have remained committed to providing exceptional early years education and care. We are proud to have consistently invested in quality, maintaining an **Ofsted Outstanding** judgement, employing a highly qualified workforce including graduate practitioners and Qualified Teacher Status (QTS) staff, and delivering experiences that go far beyond statutory requirements.

Our philosophy has always been that children deserve the very best start in life. We therefore provide a genuinely enriched curriculum that includes regular visits into the local community, Forest School accessed by hired minibus, Beach School at Severn Beach using local rail services, and a high-quality organic food offer. We have also achieved the Advanced Level of the Early Years Nutrition Partnership, demonstrating our commitment to children's health and wellbeing and the high quality of our food.

The current funding model increasingly makes it impossible for providers like ours to continue delivering this level of quality while remaining financially sustainable. Therefore, it has become essential to ask parents to pay our additional services charges.

We believe the current system is failing providers, misleading parents and ultimately risking the quality and diversity of provision available across England.

Q1: Scope of the Market Study

We broadly agree with the scope of the market study.

We strongly encourage the CMA to prioritise examining the true cost of delivering high-quality childcare, rather than simply childcare that meets minimum statutory requirements.

The current funding model assumes that all providers operate in the same way. In reality, there is enormous variation in quality, staff qualifications, educational experiences and investment in children's wellbeing.

Providers like ours choose to invest heavily in:

- highly qualified practitioners

- enhanced staff ratios where appropriate
- educational outings and enrichment
- Forest School and Beach School experiences
- nutritious organic meals
- inclusive all-day provision
- high-quality learning resources.

These are significant costs that government funding simply does not recognise.

Parents should be able to choose this higher quality provision and pay the additional amount required to sustain it. Instead, the current funding model effectively penalises providers who invest most heavily in quality.

The CMA should also investigate the impact of Local Authority administration of funding. Too great a proportion of government funding is retained before reaching frontline providers. Every pound removed from the system reduces what can be invested directly into children's education and care.

Q2: Characteristics of a Well-Functioning Market

The characteristics identified by the CMA are appropriate.

However, we believe one further characteristic should be added:

A well-functioning market should allow providers delivering demonstrably higher quality provision to remain financially sustainable without being forced to reduce quality or disguise costs.

At present the market increasingly rewards providers who minimise costs rather than maximise quality.

There is little financial recognition for investing in graduate staff, enhanced educational experiences or improved nutrition.

This creates downward pressure on standards rather than encouraging innovation and excellence.

Q3: Does the Sector Currently Display These Characteristics?

Overall, **no**.

Availability

Government expansion of funded hours has increased demand without adequately funding supply.

Providers are being expected to deliver more places while receiving funding that frequently falls below the actual cost of delivery.

Many independent providers are therefore reducing places, restricting funded places or leaving the sector entirely.

Smaller family-run nurseries are disappearing at an alarming rate.

This is a tragedy for the sector because these businesses often provide the highest quality, most community-focused care.

Affordability

The system appears affordable on paper but is not transparent.

Government funding does not meet the actual cost of providing high-quality childcare.

Providers therefore have little option but to introduce additional charges or reduce the quality of what is provided.

This is not because providers wish to generate excessive profits—it is because the funding does not cover the true costs of delivery.

Consumer Information

Parents are routinely confused by the government's use of the term "**free childcare.**"

The funded hours are not genuinely free.

The funding does not cover many of the everyday essentials that parents have historically expected as part of an all-inclusive nursery experience, including:

- meals
- snacks
- nappies
- baby formula
- sun cream
- educational outings
- enrichment activities.

Providers are then left in the uncomfortable position of explaining why additional charges are necessary.

This damages trust between providers and families despite the underlying cause being inadequate government funding.

The language used by government creates unrealistic expectations and should be reviewed.

Competition

Competition is increasingly distorted.

Providers that continue investing in quality face significant financial disadvantage compared with providers operating at minimum standards.

This creates incentives to reduce staffing quality, educational enrichment and wider services.

That cannot be in children's best interests.

Q5: Consumer Journey and Choice

The CMA should examine how parents receive information about funded childcare.

Many parents genuinely believe that the government has fully funded their childcare.

Only after selecting a provider do they discover that funding does not include many everyday essentials.

This places providers in an impossible position.

The system effectively makes providers appear responsible for costs that arise because government funding is insufficient.

Parents deserve honest, transparent communication from government regarding what funded childcare actually covers.

The system should enable informed choice rather than creating confusion.

Q6: Vulnerable Consumers

The current system disproportionately affects vulnerable families.

Families with limited financial flexibility are often forced to choose providers based almost entirely on cost.

They may therefore be unable to access providers offering enriched educational experiences, higher staffing qualifications or additional support.

Children should not lose access to quality because funding fails to recognise the genuine costs of delivering excellence.

Q8: Competition Between Providers

Competition should be driven by quality, innovation and outcomes for children.

Instead, providers increasingly compete on who can absorb funding shortfalls most effectively.

This is not healthy competition.

Independent providers delivering exceptional care should not be disadvantaged because they choose to invest more heavily in children's experiences and staff development.

The current funding arrangements reduce the incentive to innovate.

Q9: Practices Affecting Consumers or Competition

The CMA should investigate:

- the misleading use of the term "free childcare";
- the expectation that providers absorb government funding shortfalls;
- Local Authority retention ("top slicing") of funding before it reaches providers;
- the increasing financial pressure forcing high-quality independent providers from the market.

These issues distort both consumer understanding and competition.

Q10a: Regulatory Framework

Regulation relating to safeguarding and quality is essential and should remain robust.

However, there is increasing mismatch between regulatory expectations and funding.

Government expects providers to deliver ever-higher standards while failing to fund those expectations adequately.

Quality cannot continue improving indefinitely if funding continues to lag behind actual costs.

Government policy should align expectations with realistic financial support.

Q10b: Regulatory Barriers

The principal barrier is not regulation itself but the funding model that underpins it.

Outstanding providers wishing to expand face increasing financial risk because every additional funded place may generate insufficient income to cover the cost of providing it.

Expansion therefore becomes commercially unattractive.

Q11: Barriers to Entry and Expansion

Smaller independent providers face disproportionate challenges.

These include:

- rising staffing costs;
- increased regulatory compliance;
- insufficient funding rates;
- Local Authority retention of funding;
- increasing expectations without corresponding investment.

Many long-established family-run nurseries are choosing to leave the sector.

This loss cannot easily be replaced.

Independent nurseries contribute diversity, innovation, local knowledge and deep relationships with families.

Their disappearance risks creating a more uniform sector with fewer genuine choices for parents.

Conclusion

Our greatest concern is that the current system is becoming unsustainable for providers committed to excellence.

The government has rightly expanded childcare entitlements, but expansion has not

been matched by sustainable funding.

Providers are expected to absorb the difference while continuing to improve quality.

This is neither realistic nor sustainable.

It increasingly feels as though government is working against providers rather than with them.

If the ambition is genuinely to improve children's outcomes, government funding must reflect the real cost of delivering high-quality education and care.

Finally, we urge the CMA to recommend greater honesty and transparency in public messaging.

Parents should understand that funded childcare is a government contribution towards the cost of childcare—not a fully funded service. Most families requiring childcare also need year-round provision rather than the 38-week model on which funding is based.

Parents should be free to choose enhanced, high-quality providers and pay transparently for the additional quality, experiences and services that distinguish those settings. A healthy market depends on genuine consumer choice, sustainable providers and funding that reflects the true cost of delivering excellence.

Without meaningful reform, England risks losing many of its most experienced independent providers, reducing diversity, limiting parental choice and ultimately diminishing outcomes for children.

NB - This has been written in haste but full of emotion. The timescale for submission is very disappointing at the start of the Summer holidays when many families are taking annual leave. I was very disappointed not to have seen the information advertised about the CMA webinar for providers on 16th July. I am aware that many providers feel the same way. CMA should have asked Local Authorities to disseminate the information to ensure all providers were aware. Instead, providers have only been aware through informal channels with a very tight and unrealistic time for response. We deserve better - Our families deserve better.

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Archfield House Nursery

Woodland House Nursery