

Dear CMA,

Re Childcare Market Study

I am writing to you as a childcare provider, who has owned nurseries for more than 20 years, during which time the sector has changed fundamentally. I own three nurseries, all at around 40 places, two in the London Borough of Hounslow and one in the London Borough of Ealing.

Your proposed market study is welcomed, but it must remain wide, and should in fact, be a full market investigation and not merely a study. The charges that we are forced to make cannot be fairly or honestly examined without also examining WHY we need to make charges in the first place.

As a small provider, I feel it is incredibly important that my voice is heard in this, and not just that of large or group providers, as it is still smaller providers that make up the backbone of our counties childcare provision, giving parents choice, uniqueness and adaptability to suit individual children rather than a one size fits all approach. If our voice is not fully represented in this study, then the study will not be truly representative of the sector or the market.

What I would like to say about the market, and why it should be investigated is as follows;

The Funding Model & The Local Authority

- It is deeply flawed. Firstly, it is ridiculous that every single Local Authority (LA) duplicates, at huge cost, the task of making and administering claims, each with slightly rules and processes.
- For example, in Ealing, we can claim monthly over 11 months of the year, sometimes with 2 weeks a months, sometimes with 4. We have to claim over 48 weeks a year, regardless of whether a child attends term time or all year around. We have had a family start with us in July, yet we can't claim for August, as the LA is shut, so we have had to fudge our claim to ensure we get the funding while the LA is off on holiday. Whereas in Hounslow we can claim termly or stretched as a child attends.
- Further, each LA can 'top slice' for its own purposes, an amount from the centrally allocated pot, and this amount is not regulated. In Hounslow, I represent Early Years on the Schools Forum body, so keep a very close eye on the amount to be taken from our funding, but in Ealing, who receive a very similar funding level from the DfE, we receive a whole pound an hour less in our provider funding rate, because Ealing use EY money to fund an EY specialist provision, at huge cost, because the SEN budget is, as is common, hugely overspent. This means that my Ealing nursery makes significantly less profit than my Hounslow nursery, and I constantly struggle with sustainability here.
- Claiming DAF is needlessly complicated and time consuming across both of my Borough's, and was even turned down in one, despite the child being registered disabled, so it is a strong barrier to claiming or access, and makes offering SEN places just that little bit harder.
- When children leave the setting or join mid term, so outside of the main claim dates, there are always issues with making adjustments, notice periods and cross claims as a child moves from one setting to another.
- Claiming EYPP is equally time consuming and complex; a whole new data set needs to

be entered about the parents in a funding claim to find out if they are eligible, with absolutely no certainty that they are, so you need to spend significant time on this, for a small amount of money that you may or may not even be eligible for.

- The same can be said for deprivation funding. We receive this at the end of a term and get no data about it at all – we do not know which children it applies to or even which postcodes. There seems to be no rhyme or reason to it, so one term we might get several hundred pounds, and the next term nothing, yet our children are the same. Using this money for its intended purpose (supporting children from deprived backgrounds) is impossible as we cannot rely on it, so can therefore only spend it retrospectively on our best guess of who it might be helpful for.
- We expressly cannot use funding to pay for the administration of funding, yet the administration is highly burdensome, with the onus fully on us – if a parent falls out of funding eligibility, it is us who loses out, as well as the child, as parents generally then leave as they are unwilling/unable to pay private fees, often leaving an unpaid bill behind them for hours they have used while we believed them to have valid funding.
- SEN Inclusion Funding (SENIF) is a necessary and important element of the early years funding pot. However, again there are huge local variances in how to apply for and administer this funding. It is hard to find a balance between keeping our hourly base rates high enough to be sustainable, while also allocating enough money to the SENIF for it to be of real benefit to the children it is meant to help, and again, the amount that is allocated through schools forum is very varied and needs scrutiny by a knowledgeable EY rep on the body to ensure it is not misused (as is the case in Ealing who fund their EY specialist provision from EY money, not SN Block money – totally wrong in my opinion)
- In both of my cases, the claims process for SENIF is complicated and time consuming, involving large volumes of paperwork and evidence. We then need to go on to justify to the minute and penny how we have used that funding (literally we need to write ‘5 minutes on X activity, 3 minutes on Y activity’), again, a major drain on time, but also a major barrier to offering SEN places, and a major drain on energy and enthusiasm for the work involved in making meaningful differences to SEN children’s lives.
- It goes without saying that we expressly cannot claim for any of this administration time, neither the staff who need to record their minute by minute activities, nor the managers who need to then collate this information, fill out the evidence forms, claim forms, request reports from parents and other professionals etc.
- It is left completely up in the air how the government proposes we should pay for this administrative burden that it itself imposes, via its LA. The government is clear that we can neither use funding to pay for admin, nor charge parents for it in the very limited things we can charge for, and the CMA should know this. I employ a full time administrator, because the roll is so big and takes up so much time (for example, every change to the funding system needs to be reflected in the parent declaration, which changes regularly, a job for our administrator to complete with 120 families), and this does not include any SEN admin, which is completed by nursery managers, an out of ratio task, that has also to be paid for somehow.
- Both Hounslow and Ealing have regularly paid our funding late. Now that funding equals the vast majority of our income (75% +), late payment can have dire consequences for our cash flow. Margins are tight, our wage bills are extremely high, so we simply do not have the reserves to manage when funding payments are late. Again, it is for each LA to decide on a payment schedule, and again there are major differences. For example for the last two years, Ealing have paid funding between the 1st-5th of each month, whereas this year, they have paid it as late as the 13th, the very last pay date within their pay window, but as you can imagine the impact a whole week has on our cash flow can be devastating. We are never informed of which day they are aiming to pay us.
- Ealing are simply not available to us, do not answer emails or phone calls, yet are
- The CMA needs to know how differently LA’s apply rules, how burdensome it is to apply, the time (and therefore money) it takes, and that this is a substantial workload for

us that needs to be taken into account when considering the market. Please see below for the regulatory burden, another significant work stream that we are not funded for.

The Funding Model & Parents

- The primary issue in the childcare market is how the government chooses to market the funded hours and the consequences of this.
- Parents are told that the funding gives them either 15 or 30 hours of 'free' childcare per week, but this is simply not true.
- The funding only covers term time (38 weeks of the year), so this alone creates a major source of frustration for parents, as we try to explain the idea of 'stretching' funding to cover the whole year, with fewer hours each week over a longer time period.
- The funding rate that we receive is below the cost of delivery – I take seriously my role to provide quality early education for EVERY child registered with us, and this needs money, primarily to pay for quality, highly trained people, but also resources, food, not to mention operating costs like rent, maintenance and so on.
- A worked example of why the funding doesn't work;
 - o My fixed basic cost per hour –
 - o £20 per hour for 1 childcare staff member (including all PAYE and pension cost, based on average pay of £16 per hour (very poor pay for a professional person)
 - o £28 per hour rent (London prices)
 - o £7 per hour utilities
 - o TOTAL = £55 per hour
 - o Not including admin, resourcing, food, training, compliance, cost of manager, SENDCO, not to mention the fact that I cannot have 1 staff member for children, I must have at least 2.
 - o Funded income for 8x 3+ year olds (adult:child ratio) = £53 per hour.
 - o Funded income for 5x 2 year olds (adult:child ratio) = £49 per hour
 - o Funded income for 3x under 2 year olds (adult:child ratio) = £39 per hour.
 - o If I want to provide quality – highly trained and skilled staff, with additional skills like Montessori teaching, Forest School qualifications, I need to pay for this. If staff are off sick, or attend training to upskill, and I need to pay cover staff as well as sick pay, I need to pay for this.
 - o I need to maintain my buildings, upgrade and maintain my resources, ensure that we advertise to future families to ensure occupancy, safeguard children, manage HR, tax, pension schemes, wages, support families, support children and families with English as an additional language, and yet somehow manage all of this on the small proportion of my income that I can spend on this.
 - o The idea of making a profit seems to be forbidden in this industry, and that cannot but be anti-competitive. Profit would not just be for my own family, but for reinvestment into the business – I would love to expand, to have a dedicated SENDCO rather than an in ratio one, I would love to build separate dedicated baby units, buy a building to make just our own, pay our wonderful staff the wage they deserve, invest in their training, buy beautiful new furniture, but none of this is possible on the small margins that we have.
- This gap between funding and costs means that we have to charge. The government want us to be transparent, but it itself is very far from transparent – the only honest way to talk about the funding would be to say that it is the most amazing subsidy, but instead we are only allowed to charge for very limited things, like food, consumables and activities, whereas in reality, the cost is in staff (more than 60% of our turnover is spent here, sometimes as high as 70%) and other overheads that are not childcare related, like building costs, rates (increased by a huge 20% last year), utilities.
- It is us who are left to explain this gap and the need to charge to parents who expect 'free', which leads to bad feeling and confusion, through no fault of our own.
- We have to make these charges optional, but this is genuinely unfair, as we cannot

operate without the extra charges, let alone remain long term sustainable.

- Parents can come and go as they please – they often book ahead of time, but are allowed to leave us with little to no notice at all, so we can lose much needed funding without warning.
- The CMA must be aware that both parents and providers lose here with the way the government require us to talk about the funding. The government get away with forcing us to under charge for a place by fixing its price to what is known to be below market value, and parents are forced to pay charges they don't expect.

The Funding Model & Us

- The pressure on us in this industry is immense and only ever grows.
 - The regulatory burden is crippling, and so blame heavy that it causes genuine anxiety in otherwise experienced, competent and skilled teachers and business owners.
 - Our margins are tighter and tighter, and our ability to operate with any kind of cushion is almost not there.
 - The market investigation must include evidence like this from smaller providers, as well as childminders, pre schools, and all parts of the sector, we are all so different, yet it is that variety that allows parents genuine choice – the voice of the child is in danger of being lost; a family should be able to choose the right environment for their child – a small cosy home with just one or two other children, a big busy bustling village feel or anything in between, whatever their individual child needs to be able to thrive.
 - The market has such a wealth of wonderful offerings, but it is the structure that the government chooses to impose that is causing issues.
 - Before the roll out of the expanded 30 hours, and the updated funding guidance of last year, the market worked much better from my point of view; public bodies mostly referred to the funding as 'funding' rather than free, we were allowed to charge for 'additional services', which is a much more honest and transparent way to describe what we need to do, and parents had the expectation of paying, and could choose between nurseries to suit their budget.
 - The roll out of the expanded 30 hours has had a dramatic effect on pre schools. School nurseries are now taking the bulk of preschool aged children (3+), and increasingly 2 year olds, leaving room only for full day care as mums go back to work.
 - I had a 4th nursery until October 2025, it was a preschool and it sadly failed. We took children aged 2-4, but working parents went to full day nurseries, and non working parents went to school nursery, leaving no children for our once thriving wonderful little preschool. It was devastating for all involved. I see the same happening all around me to friends with similar small preschools.
 - This particular change disproportionately affects women, as it is women who work in pre schools, around their own children usually. The decline in preschools means that that wealth of skills and experience is lost to the sector.
 - Staffing is a massive issue. Pay is poor, pressure is high, so many many skilled and wonderful teachers leave the sector for better paid, less stressful jobs at Tesco's – that cannot be right.
 - I said earlier that any market review must look at funding rates, and staff costs is a prime example of why it matters so much how the government are choosing to make us represent their funding;
 - o In the simplest terms, minimum wage has increased in 5 years by 33.79%, but funding has only increased in LB Hounslow by 11.11%
 - o How can we possibly compete well, or operate sustainably, let alone profitably with these basic mismatches? The CMA MUST investigate this properly and failing to include this information would make it meaningless.
- I have worked in this sector for more than 20 years but have never felt so discouraged or disheartened or put upon. I work very hard, I believe in what we are doing for children

and families, and I want to be able to run my business well, not worry about paying the bills, pay staff fairly, pay myself fairly, invest in our children. Please help us make this a reality.

I await the outcome of your work with hope.

With kind regards,



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