

(a) Please supply a brief summary of the interests of organisations you represent, where appropriate.

The Early Years Alliance is the largest and most representative early years membership organisation in England.

A registered educational charity, we represent the interests of early years providers across the country, predominantly private and voluntary settings.

We are also an operator of affordable childcare and education ourselves, operating primarily in areas of deprivation.

(b) Please consider whether you are providing any material that you believe to be confidential either to yourself or another person or organisation, and if so, please explain why this is the case.

N/A

Q1: Do you agree with our proposed scope (both the services and geographic scope) for this market study, as set out in paragraphs 23-26, 28. If not, what areas would you suggest we include, exclude or prioritise, and why?

Yes, we agree with the proposed scope with regard to services and geographic scope.

Q2: Do you agree with our articulation of the characteristics of a 'well-functioning market' for childcare services as set out in paragraph 30? If not, what should be changed and why?

We broadly agree with the CMA's articulation of the characteristics of a 'well-functioning market' for childcare services. However, we would argue that the scope should also include the following:

- With regard to the availability of supply, there should be a specific focus on the ability of children from disadvantaged backgrounds to access affordable early years places.

In addition, the study should not only examine whether or not families "can access a range of affordable, high-quality childcare options" but also on whether families are able to access provision a) on the days and times they need b) at a convenient location, such

as nearby home or work. A 2013 Freedom of Information investigation by the Alliance found that while 96% of local authorities said they had sufficient early years places:

- o only 15% collected information on what proportion of parents and carers in the area can access the quantity of early years provision that they would like to (for example, if they need three full days a week of early years provision, whether or not they are able to access three full days or can only access two).
 - o only 14% collected data on what proportion of parents and carers in the area can access early years provision on the specific times and dates that they want (for example, if they want Mondays and Tuesdays but have had to settle for Mondays and Wednesdays).
 - o only 9% collected data on what proportion of parents and carers in the area were able to access early education and childcare at their first-choice early years setting.
- There should also be a specific focus on the quality of provision at early years settings. While we recognise that as stated in paragraph 24, the study is not assessing the educational standards of provision, it is impossible to explore the cost drivers and what factors drive providers' underlying cost base without examining the various quality factors that underpin early years provision. This could include, for example, staff-child ratios, and staff qualifications.

Q3: Do you consider that the childcare sector currently displays the characteristics of a 'well-functioning market' set out in paragraph 30? For each 'yes' and 'no' response, please explain why you consider this to be the case, what is driving this, and for 'no' responses how this could be remedied.

Accessing a range of affordable, high-quality childcare options:

No.

Parents continue to struggle to access affordable provision, with availability varying across the country and those from disadvantaged backgrounds and with SEND likely to struggle disproportionately.

The most recent Department for Education's (DfE) [parent survey](#) found that only 41% of parents felt the number of local places were "about right". In addition, [DfE statistics](#) shows a fall in the number of children registering for the disadvantaged and universal entitlement offers.

It should be noted that there has been a sustained fall in the number of childminders in recent years, resulting in less choice for parents. In a survey of childminders carried out by the Alliance in February 2026, 13% said it is likely that they will close their childminder business within the next 12 months.

When asked what steps should be taken to tackle the decline in childminder numbers, 70% said an increase in early years funding rates, while 78% called for childminders to be allowed to claim early entitlement funding for related funded children (as it stands, childminders who care for and educate children who are related to them are unable to claim entitlement funding for doing so).

Providers can anticipate and respond to future demand, and are not subject to unnecessary barriers to entry or expansion.

No.

A significant proportion of providers struggle to anticipate and respond to future demand due to a lack of support and funding to meaningfully address or remedy longstanding sector challenges, namely staffing and funding.

Funding

An [Alliance survey](#), carried out in March 2026, found that more than 8 in 10 (85%) of those offering three- and four-year-old funded places say their current funding rate is lower than the cost of delivering places, with 47% saying it is significantly lower. The same survey found that one in six providers (16%) had reduced the number of three- and four-year-old funded places they offer.

The survey also found that of the respondents who had received confirmation of their three- and four-year-old funding rate at the time of responding, eight in 10 (83%) said their rate would still be lower than the cost of delivering places, with 35% saying it would be significantly lower. Nearly a quarter (23%) expected to reduce the number of overall three- and four-year-old funded places they offer over the following 12 months.

Similarly, recent [Department for Education statistics](#) found that over a third of group-based providers and nearly 70% of childminders have reduced or plan to reduce places for three- to four-year-olds to accommodate the expanded entitlement scheme.

A lack of affordable, accessible places has had a particularly marked impact on disadvantaged families. According to Department for

Education's latest [Childcare and early years survey of parents](#), while 77% of children under four in the least deprived areas received formal early years education, this dropped to 59% in the most deprived areas. In families with an annual income of £65,000 or more, 84% of children aged under four received formal early years education, compared to 47% of those in families with an annual income of under £20,000.

Staffing

The sector's ongoing staffing challenges continue to restrict providers' abilities to anticipate and respond to demand.

An [Alliance survey](#) of over 1,000 early years providers from February 2026 found that more than eight in ten (84%) are finding it very (59%) or quite (26%) difficult to hire suitable new early years staff at the moment, while more than two in five (44%) are seeing a significant increase in the number of staff members choosing to leave the early years sector compared to this time two years ago.

Low pay was listed as the most common reason for staff leaving a setting.

Staffing shortages are, in turn, having a marked impact on the accessibility and availability of early years places. In the six months prior to the survey, half (49%) of respondents said they have limited or stopped taking on new children due to a lack of sufficient staff.

It should also be noted that, the amendment of ratios from 1:4 to 1:5 for two-year-olds while meaning that educators are able to educate and care for more children, has done so at a risk to both the quality and safety of provision over cost-savings.

Where it is reasonable to expect it, provision caters to different working patterns. The system as a whole ensures that families with diverse needs, including SEND, can access the care they need.

No.

The majority of group-based early years operate weekdays from early morning to early evening. Other types of settings, such as childminders are able to offer more flexibility but with numbers continuing to plummet, as mentioned above, it can be difficult for families to find flexible options.

SEND: Additionally, while settings are committed to cater for families with diverse needs, including SEND, a complex SEND system has made this challenging for some, and impossible for many.

In recent [survey](#) undertaken by Coram Family and Childcare, only 44% of local authorities in England reported to have enough childcare for 75% of early years children with SEND in their area.

In addition, [research](#) undertaken by EECF in May and June 2025 found that 22.9% of respondents had made the decision to accept fewer children with additional needs in the previous twelve months to offset increased costs, with 26.5% considering taking this step in September.

While we welcome recent SEND reforms, particularly the introduction of upfront SEND funding to build inclusive environments that do not rely on child-specific assessments, without adequacy of early years funding more widely, the ability of provider to deliver quality care and education to children with SEND will remain severely restricted.

Disadvantage: As discussed, we feel it is important that the market study examines access to places among disadvantaged families as well as those with children with SEND.

In 2024, the government aimed to improve access to provision in disadvantaged areas by increasing the Early Years Pupil Premium (EYPP), making it comparable to the funding schools receive for disadvantaged pupils for the first time. However, the [IFS warned that](#), since EYPP only applies to part-time childcare entitlements, the total funding will still be half as much as for schools. It is likely that these funding pressures have become more pronounced now that the early entitlement expansion has been fully rolled out.

Government funding delivers good value for money, and is strategically targeted at gaps in provision and to achieve additional policy objectives, such as increasing labour market participation, supporting child development, improving affordability, and reducing inequality.

No.

Funding: Overall government funding does not deliver good value for money. Sector funding continues to fall below the cost of delivering high-quality and sustainable early years provision. More recently, this gap has significantly worsened due to stagnating inflation, energy costs, and increases in National Insurance contributions alongside national living and minimum wages.

A [Freedom of Information](#) request filed by the Alliance in 2018 revealed that at the time of the 2015 Spending Review, the government predicted that, by 2020, it would cost £2bn to fully fund the sector and that doing so

would result in a three- and four-year-old funding rate to local authorities of £7.49 per hour. In reality, they provided just £300m of funding and a three- and four-year-old funding rate to local authorities of just £4.89 per hour on average. By way of comparison, as of 2025/26 the average hourly funding rate is just £6.42.

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It should be noted that one private government briefing document published as part of the FOI investigation stated that to 'fully fund' the free entitlement offers was "unaffordable".

The documents also revealed that the government knew that the move to 30 hours would result in price increases for parents of younger children.

More recently, the [Institute of Fiscal Studies analysis](#) found that when taking childcare-provider specific costs into account, core funding rates for three- and four-year-olds remained 19% lower than a decade ago. The IFS also found that effective resources per hour fell by 4% just in the last year, largely due to big increases in employer costs.

Adequacy of early years funding is more critical than ever to the functioning of the early years market, given the fact that, according to [analysis](#), following the expansion of the early entitlement offers, the government is now "in charge of 80% of all preschool childcare in England" (up from the previous 50%). As put by the IFS, this "raises the stakes of getting the funding rate right" and could risk making it harder for parents to find places if the funding is too low.

In addition, annual increases to early years funding fail to reflect the true rising cost of provision. The Department for Education uses a "basket of measures" to calculate how much early years funding is likely to increase year on year, which factors in general inflation, general wage inflation (for staff earning above the minimum/living wage) and increases in the national minimum and living wage for those earning below.

However, such an approach fails to reflect the genuine increase in costs year on year, especially in relation to staff wages. For example, in a theoretical setting, if there were three members of staff, with staff member A earning £1 below the new minimum wage, staff member B earning 5p below the new minimum wage, and staff member C earning 5p above the new minimum wage, under DfE modelling, funding increases

would assume that both staff members A and B would be paid the new minimum wage, removing the wage differential between them, and that staff member C's wage would only rise by general wage inflation, which is normally much lower than increases in the minimum/living wage.

As a result, not only has the sector started from a position of inadequate funding, but each year, this position becomes more and more acute.

Gaps in provision: The primary policy announced by the government to tackle gaps in provision is the school-based nursery initiative, which aims to create 3,000 new or existing school-based nurseries to address gaps in provision, especially in disadvantaged areas. However, [research](#) by the Sutton Trust and Social Market Foundation centred on the first phase of the expansion warned that the scheme will fall short of its target and gaps will remain, with only 16% of new early years providers set up under the government's school-based nursery programme in the most disadvantaged schools. In addition, the majority of schools surveyed (70%) were reluctant to set up on-site provision if they didn't already have one. Common barriers preventing school-based provision were lack of suitable indoor space (51%), high start-up costs (50%) and financial viability (46%).

***Recommendation:* We are clear that adequacy of funding is key to ensuring that providers are able to meet parental demand for places, while still providing high-quality provision.**

While we welcome the current ongoing consultation into early years funding, this only looks at the distribution and allocation of early years funding and not the overall quantum. We continue to recommend an independent review of the true cost of delivering high-quality early years places, and for this to inform future government funding rates.

We also recommend a review of the current 'basket of measures' method of uprating annual rate increases to ensure that the government is accurately modelling wage increases and the funding needed to support these and maintain wage differentials.

We would also recommend that the government consider other measures that can help reduce cost pressures on early years providers, including business rate exemption (as is the case in Scotland and Wales already) and paying VAT on purchases.

Effective competition between providers: childcare providers compete effectively to attract and retain families, on both price and quality. They are incentivised and disciplined – both by competitive pressures and regulatory requirements – to meet consumers’ preferences and needs efficiently and effectively.

Central government, local authorities, and mayoral combined authorities are able to assess demand, signal childcare needs to providers, and take effective action to prevent or address gaps in provision.

While local authorities are required to monitor sufficiency in their local area, as referenced above, in the majority of cases, this does not monitor if parents are able to access a place at their provider of choice, on the days/session they want for as many days and sessions they want. There is therefore a danger that a parent who would like to have full days Monday to Wednesday at provider A, but has only been able to secure Monday and Tuesday mornings at provider B is simply counted as having ‘a place’ and that therefore, LA sufficiency data does not reflect true sufficiency.

Recommendation: A requirement for local authorities to gather more granular data on if parents are able to access the hours/session/days they want, when they want them, at their first-choice provider.

Informed and engaged consumers: families have access to clear, accessible, and impartial information about childcare options in their local area before making decisions. This enables them to make informed choices between a range of providers.

The government has already tightened requirements on providers on what information must be made available to parents, such as a breakdown of fees. However, with regard to ensuring that families have access to clear information on early years options, one of the most common points of confusion among parents stem from government, not providers. The policy label of ‘30 hours of free childcare’ does not make clear that:

- a) Providers can charge for non-mandatory additional charges
- b) 30 hours only applies if taking up a place in term-time only – otherwise the entitlement is 22 hours. In other consumer promotions, this would likely be deemed misleading
- c) Eligibility for the entitlement only begins the term after a child terms the relevant age (so a child born in early April will need to wait until September to access their funded place)

Well-designed regulatory environment: a clear, predictable and proportionate regulatory environment ensures appropriate standards of safety and quality to give confidence to families and provides market participants with the clarity and certainty they need to invest, innovate and compete.

The Early Years Foundation Stage framework sets the standards that all early years providers must meet to ensure children learn, develop and are kept safe and well. Overall, it provides a comprehensive overview of regulations for settings, contributing to a regulatory environment which, generally is well-designed,

That said, in recent years the framework has undergone several updates which can make it confusing for providers, and the sector overall, to ensure they are up to date.

Changes to guidance can also be confusing and difficult to interpret. Several aspects of the updated safer sleep guidance required several clarifications in terms of the types of sleep equipment settings can use, which ages different guidance caters for and how childminders should interpret aspects of the guidance such as pram and outdoor sleeping.

The sector is clear that practice must have the safety of the child at the heart of provision and is committed to ensure this is reflected in the guidance. However, the reactive and frequency of changes can be challenging for providers to both understand and keep abreast of the changes.

Last minute, unexpected changes also risk worsening the relationship between the sector and policymakers which, given the government is now responsible for the funding of around 80% of provision, and feeling undervalued by government is a key reason for leaving the sector, has never been more important.

Recommendation:

To ensure that government and policymakers collaborate with the wider early years sector to ensure regulatory and practice guidelines ensure that both the safety and wellbeing of children are at the centre and that providers are sufficiently supported to implement any changes or updates well.

Q5: Are there any specific areas we should focus on in relation to the consumer journey and choice, including families' ability to

make informed choices, access and switch childcare services, or aspects of the consumer experience? Why?

The number of providers can impact a family's ability to make informed choices and access or switch providers. The most recently available Ofsted statistics show an increase in early years places in line with the early entitlement expansion, but the number of early years providers continue to fall. This suggests that that family choice of provision is limited. As such, families are often forced to choose from available early years options from a limited pool of providers which may not be best suited to their child's or family's needs.

Q6: Are there any specific areas that we should focus on because they have the potential to disproportionately affect vulnerable consumers (for example, those who may be at greater risk of poor outcomes or face additional barriers, including due to low income, disability, mental health, or because they are making decisions under stress or emotional pressure)?

It important to explore access to early years provision for children from disadvantaged backgrounds and children with SEND.

There is a wealth of research pointing to the benefits of disadvantaged children being able to access early years provision. Despite this, and as mentioned previously in the submission, they continue to struggle to be able to do so. Most childcare deserts are present in areas of deprivation. In addition, given that most early entitlement offers are targeted to working families, and there is low take-up of the existing disadvantaged offers, this group continues find it challenging to access this type of provision.

Children with SEND also face notable barriers preventing them from accessing provision or ensuring that the provision they are able to access is best suited to their needs. Research from SEND charity Dingley's Promise found that one in five families had been turned away from an early years settings because of their child's needs.

However, as our own research shows, early years providers are faced with a challenging and underfunded SEND system. In a survey of over 1,300 providers carried out in March 2022, 92% of respondents had to fund additional support for children with SEND out of their own pockets, and 40% said they did not receive specific funding to support SEND provision. Similarly, Dingley's Promise 2025 Family Survey found that 29% of surveyed families had been turned away from at least one mainstream early years setting up from 20% in 2023, while 41% of children were not accessing their full entitlement.

Q8: Are there any specific issues we should focus on in terms of how, and the extent to which, childcare providers compete to gain consumers and are incentivised/disciplined to meet consumers' preferences and needs? Why?

Overall funding paid to different types of providers can vary considerably. For example, the average early years funding rate paid to nursery schools for the three-and-four-year-old offer is currently £8.82, compared to the average of £5.83 for all providers and £5.63 for private, independent and voluntary settings.

While using early entitlement funding is optional, many settings may feel obligated to offer funded places to compete with nearby settings. Given that funding rates overall fall below the cost of delivering high-quality early education this could put settings under considerable financial pressure.

Q9: Are there any particular types of conduct or practices we should focus on that may adversely affect consumers or competition? What are they and why should we focus on them?

At the Alliance, we have received numerous case study reports of primary schools terminating leases with PVI providers operating on their premises to then open their own provision and apply for funding under the government scheme to deliver 3,000 new or expanded school-based nurseries.

Q10a: We are interested in whether the regulatory frameworks in this sector, and their enforcement, along with complaint and redress mechanisms, support good competition/consumer outcomes. Are there any particular areas we should consider? Why?

Last year's update on statutory guidance of local authorities on how early years settings should deliver the early entitlement offers, including rules on additional charges, should be explored.

While we at the Alliance believe that providers should be transparent with parents on any optional fees, and that early years provision should be affordable, we remain concerned that the guidance does not reflect or acknowledge that settings are forced to implement these charges due to the aforementioned financial challenges facing the sector.

Q10b: Are there elements of these regulatory frameworks that create unnecessary or disproportionate barriers to competitive dynamics, such as entering the childcare sector, expanding existing businesses, introducing new business models?

Due to the aforementioned financial challenges facing the sector, there can be a weighting towards new operators investing more in affluent areas due to the fact that that families would be able to cover any additional costs needed to bridge the gap between government funding and the true cost of provision.

Q11: More generally, are there any barriers to entering the provision of childcare services, or to expanding existing businesses, that you believe are unnecessary or disproportionate? If yes, please explain. Are there any particular barriers for smaller businesses?

The increase to National Insurance Employer Contributions have had a notable impact on early years settings – in 2024 our research on the impact of this found that settings could face an additional annual cost of £18,600 per setting per year on average.