

Dear CMA Early Years Market Study Team,

I am responding as the manager of a privately-owned setting which is part of a small independent group of three nurseries.

My response is based on my day-to-day experience of managing a nursery, supporting staff and families, maintaining safeguarding and quality standards, and trying to keep the nursery financially sustainable within the current funding and regulatory system. Although our nurseries are based in the South West of England, I believe many of the issues raised are happening across the country.

It is important that the CMA hears directly from plenty of single-setting nurseries and small independent groups, rather than mainly from large nursery chains, private equity-backed organisations, representative bodies or school-based providers. Small providers experience the market very differently. They have fewer resources, less ability to absorb losses and no large central teams to deal with compliance, staffing, funding or administration.

The CMA's Statement of Scope says that the average provider received around £1.01 of income for every £1 of cost in 2025. This leaves almost nothing for investment, unexpected costs, staff development or further cost increases.

My responses are set out below.

Q1: DO YOU AGREE WITH OUR PROPOSED SCOPE, BOTH THE SERVICES AND GEOGRAPHIC SCOPE, FOR THIS MARKET STUDY? IF NOT, WHAT AREAS WOULD YOU SUGGEST WE INCLUDE, EXCLUDE OR PRIORITISE, AND WHY?

I agree that the study should include childminders, private and voluntary nurseries, school-based settings, maintained nursery provision and providers of different sizes and ownership types.

However, the CMA must make sure that small independent providers are not treated as a minor part of a study mainly shaped by larger nursery groups or private equity ownership. A single nursery or small local group faces very different challenges from a national organisation with central finance, human resources, marketing, legal and compliance teams.

The study should therefore include a large and representative number of single settings and small groups, with detailed interviews, financial case studies and roundtable discussions specifically for them. General surveys alone may not show the full pressure these providers are under.

The CMA should focus on the gap between government funding and the real cost of delivering childcare. This should include staffing costs, minimum wage increases, National Insurance, pensions, food, utilities, rent, insurance, training and regulation.

The study should also look at restrictions on parent charges and the extent to which providers are expected to rely on income from meals, consumables, extra hours and optional services to make up for shortfalls in government funding.

The growth of state-maintained and school-based nurseries must also be examined. New public provision should not be opened where enough local places already exist without looking at the effect on established PVI providers. Schools may benefit from premises, management, administration and other costs being met elsewhere, while independent nurseries must pay these costs directly.

Regional differences should also be looked at. National averages can hide major differences in wages, property costs, funding rates, recruitment and demand.

Q2: DO YOU AGREE WITH OUR ARTICULATION OF THE CHARACTERISTICS OF A “WELL-FUNCTIONING MARKET” FOR CHILDCARE SERVICES? IF NOT, WHAT SHOULD BE CHANGED AND WHY?

I do not think the proposed description gives enough importance to whether providers can survive financially.

The characteristics are mainly set out in terms of affordability, availability, consumer choice and government policy. These are important, but none of them can be delivered in the long term unless providers are financially stable.

A well-functioning market must allow a properly run and efficient nursery to recover the full cost of providing childcare, keep a reasonable margin, maintain its premises, replace equipment, train staff, increase wages where needed and plan for the future.

At present, providers have limited control over both income and costs. Government sets the rate paid for a growing proportion of childcare, while also affecting major costs through minimum wages, employer contributions, staffing ratios, qualification requirements and regulation.

This is not a normal competitive market where providers can simply set a price that reflects what the service costs to deliver.

The definition should also include fair competition between different provider types. An independent nursery paying commercial rent, utilities, insurance and administration costs cannot compete on equal terms with provision running from publicly funded premises with shared school resources.

A well-functioning market should include reliable and predictable funding, reasonable freedom for providers to recover costs, fair competition, sensible regulation, enough staff,

a choice of different types of provision and genuine long-term choice for parents.

Early years cannot be described as a well-functioning market if the system is mainly designed around the immediate interests of parents and state-maintained provision, while private providers are expected to absorb funding shortfalls and commercial risk.

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.

No. In my experience, the childcare sector does not currently operate as a well-functioning market.

A large part of nursery income is now decided by government funding rates rather than by the actual cost of providing the service. Providers cannot negotiate the rate, yet they must meet increases in wages, National Insurance, pensions, food, energy, rent, insurance and regulation.

The government promotes funded entitlements to parents as “free childcare”. However, the provision is not free to deliver. This creates tension when providers need to charge for meals, consumables, extra hours or other services that are not fully covered by funding.

Many nurseries depend on this extra income to remain open, while government messages often encourage parents to believe that they should not have to pay anything alongside funded hours. No normal business would be expected to rely on optional income that its main funder also discourages customers from paying.

The sector also does not operate on equal terms. School-based provision may have access to publicly funded buildings, shared management, administration, maintenance and financial support. Independent nurseries must pay all these costs directly.

The results can be seen in recruitment problems, less investment, pressure on staff, exhausted managers and owners, closures and more nurseries being taken over by larger groups.

The funding rate should be worked out independently and should cover the full cost of delivering the entitlement, including a reasonable margin. It should rise automatically when statutory employment costs increase.

Where government funding does not cover the full cost, providers should be allowed to charge a clearly explained shortfall. Parents should receive honest information about what the government pays for and what is not covered.

New state-funded provision should also be subject to a proper review of local demand and the likely effect on existing providers.

Q4: NO QUESTION NUMBERED Q4 APPEARS IN THE PUBLISHED STATEMENT OF SCOPE

The published questions move directly from Q3 to Q5, so I have used the CMA's question numbers.

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 CMA should look at how the government describes funded childcare to parents.

The phrase "free childcare" is misleading because it suggests that the provider receives enough funding to deliver every part of the place without any contribution from the family. This is often not the case.

Parents should be clearly told about the funded hours, the number of weeks covered, the rules attached to the entitlement and which services may be charged separately. These may include meals, snacks, consumables, extra sessions, early starts, late finishes and childcare outside the funded weeks.

Clearer government information would reduce disputes between parents and providers and stop nurseries being blamed for a funding shortfall they did not create.

The CMA should also consider whether parents have genuine choice rather than simply being given a list of nearby providers. Settings differ in the ages they accept, opening hours, available places, SEND support, educational approach, staffing, meals and whether they offer term-time or year-round care.

Moving a child to another nursery is also not the same as changing an ordinary service. Children build relationships with staff and other children, while nurseries arrange staffing around booked places. Reasonable notice periods, deposits and minimum attendance patterns are therefore necessary and should not automatically be seen as unfair barriers.

Information should be clear, but it should also help parents understand differences in quality and provision rather than encouraging them to compare settings only by price.

Q6: ARE THERE ANY SPECIFIC AREAS THAT WE SHOULD FOCUS ON BECAUSE THEY HAVE THE POTENTIAL TO DISPROPORTIONATELY AFFECT VULNERABLE CONSUMERS?

Support for children with SEND should be a major area of the study.

Nurseries are supporting increasing numbers of children with significant and complex needs. This can require extra staff, training, observations, meetings, reports, specialist equipment and close work with outside professionals.

Extra funding is often delayed, difficult to get or not enough to cover the real cost of the

support needed. Nurseries may therefore provide a large amount of additional support from their normal income.

The CMA should look at whether this creates an unintended reason for providers not to accept children with higher needs and whether inclusive nurseries are being financially penalised for doing the right thing.

SEND funding should follow the child quickly and should match the actual level of support needed.

Low-income families may also be badly affected by the way funded childcare is advertised. A parent may reasonably think that “free childcare” means there will be no extra costs, only to later find charges for food, consumables, additional hours or holiday periods.

The answer should not be to stop nurseries recovering genuine costs. The answer is honest information and funding that properly covers the service being promised.

Families without transport, those working unusual hours and children who do better in smaller settings may also be hit hardest when independent nurseries close. Keeping a wide range of financially stable providers is therefore important for vulnerable families.

Q7: NO QUESTION NUMBERED Q7 APPEARS IN THE PUBLISHED STATEMENT OF SCOPE

The published questions move directly from Q6 to Q8, so I have used the CMA’s question numbers.

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 OR DISCIPLINED TO MEET CONSUMERS’ PREFERENCES AND NEEDS? WHY?

Nurseries already compete in many ways, including quality, reputation, Ofsted outcomes, educational approach, staff stability, premises, outdoor space, food, opening hours, communication and flexibility.

Small independent nurseries often compete through personal relationships, strong local knowledge and direct involvement from managers and owners.

However, providers cannot meet every parental preference if the income attached to a place does not cover the cost of providing it. Staffing ratios and fixed employment costs mean that more flexibility can create real financial pressure.

The CMA should be careful not to assume that stronger price competition will improve outcomes. Childcare depends heavily on staff. Reducing costs often means reducing investment in staffing, training, resources, premises or employee benefits.

Competition between provider types should also be examined. A school nursery may be able to offer a lower apparent price because some of its premises, management, utilities

or administration are paid for elsewhere. An independent nursery paying commercial costs does not have the same advantage.

The CMA should consider whether new publicly supported places are being created to meet real unmet need or whether they are simply taking children from existing sustainable settings.

The loss of smaller providers may reduce real parental choice, even where the overall number of places appears unchanged. A market dominated by schools and larger chains may offer less variety and less response to local families.

Good competition should support quality, clear information, provider stability and choice, not simply the lowest possible price.

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?

The CMA should consider the actions of government and public bodies, as well as the practices of childcare providers.

The use of the phrase “free childcare” should be reviewed because it creates unrealistic expectations and causes conflict between parents and nurseries.

The study should also look at whether local authorities run funding schemes consistently, explain changes clearly and make payments on time. Delays and unexpected adjustments can cause serious cash-flow problems for small settings.

There should be checks on decisions to open or expand school-based nursery provision where there is no clear evidence that more local places are needed. Publicly supported provision should not displace established nurseries without a proper assessment of local demand and the effect on parental choice.

Provider practices should be examined fairly and in context. Deposits, notice periods, minimum sessions and separate charges for food or consumables may be needed to manage staffing and fixed costs.

The CMA should tell the difference between genuinely misleading or unfair practices and reasonable commercial terms needed to keep the nursery open.

It is right to look at hidden charges, unclear contracts, excessive cancellation terms and misleading pricing. However, genuine additional charges should not be treated as poor conduct where they are a direct result of inadequate government funding.

The CMA should also consider whether larger corporate or private equity-backed groups use takeovers, debt or closure plans in ways that reduce local choice. Small owner-managed settings should not be treated in the same way as large investment-backed

organisations.

Q10A: WE ARE INTERESTED IN WHETHER THE REGULATORY FRAMEWORKS IN THIS SECTOR, AND THEIR ENFORCEMENT, ALONG WITH COMPLAINT AND REDRESS MECHANISMS, SUPPORT GOOD COMPETITION AND CONSUMER OUTCOMES. ARE THERE ANY PARTICULAR AREAS WE SHOULD CONSIDER? WHY?

Regulation is essential in early years, particularly for safeguarding, welfare and quality. However, the total amount of administration has become very heavy.

Small nursery groups do not have large compliance teams. Much of the responsibility falls on managers who are also dealing with staffing, safeguarding, parent communication, SEND, training and the daily running of the setting.

The CMA should look at repeated or conflicting requirements from Ofsted, local authorities, funding teams, safeguarding partnerships, environmental health, planning authorities and the Department for Education.

Providers can receive different explanations of the same rule from different local authorities or individual officers. This creates uncertainty and extra work.

New requirements are also often introduced without enough thought being given to the cost or staff time needed to put them in place.

Complaints procedures must protect children and families, but they should also be fair to providers and staff. Malicious, exaggerated or unsupported complaints can cause great distress and damage a nursery's reputation before the facts have been properly checked.

Processes should be quick, balanced and based on evidence. Parents should also receive clearer information about whether a complaint should be made to the nursery, Ofsted, the local authority or another organisation.

Similar services should be regulated in a similar way, whether they are provided by a school, charity, private nursery or childminder.

Providers also need clearer and more stable guidance about charges linked to funded entitlements. Uncertainty about what may be charged causes disputes, damages relationships with parents and makes financial planning very difficult.

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 OR INTRODUCING NEW BUSINESS MODELS?

Yes. Registration, planning, premises rules, recruitment, qualification requirements and uncertain funding arrangements can all delay or prevent new provision.

A provider may start paying rent, insurance, professional fees and staffing costs long

before Ofsted registration is completed and before any income can be earned.

These delays are especially difficult for smaller providers, which may not have enough reserves to meet months of spending without income.

Planning rules can also vary a great deal between local authorities. Clearer national guidance would help providers work out whether a proposed nursery is likely to be possible before spending large amounts of money.

The biggest barrier is the lack of certainty over future income. A nursery may invest heavily in premises, equipment and staffing but cannot confidently predict future funding rates, wage increases, entitlement rules or limits on parent charges.

Government controls a large part of the provider's income and also has a major effect on costs. Without a stable funding plan covering several years, responsible expansion becomes very risky.

Approval processes should be better joined up, with Ofsted, planning authorities and local authorities working at the same time where possible. Providers should receive clearer early decisions.

Regulation should remain strong where children's safety and welfare are concerned, but it should also be clear, consistent and sensible. Removing repeated paperwork is not the same as lowering standards.

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 greatest barrier is the lack of a reliable and sustainable business model.

Providers face large starting costs for premises, refurbishment, equipment, insurance, professional advice, registration and recruitment. They must then operate within strict staffing ratios and meet rising employment and regulatory costs.

At the same time, government sets the rate paid for a growing number of nursery places without guaranteeing that the rate will cover the full cost of delivery.

Small providers are especially affected because they cannot spread management, safeguarding, training, payroll, finance, marketing and compliance costs across a large number of settings.

A period of lower occupancy, staff absence, delayed funding or unexpected repairs can therefore have a much greater effect on a small nursery.

Recruitment is also a major barrier. Nurseries need skilled and committed staff, but wage and employment-cost increases are not always matched by higher funding. This makes it

difficult to recruit, keep staff or open more places.

Independent providers also pay commercial rent, utilities, insurance, business rates and premises costs that school-based settings may not face in the same way.

Access to finance is difficult because lenders and investors can see that future income depends heavily on government decisions that may change each year.

The CMA should recommend funding plans covering several years, automatic increases when statutory employment costs rise, faster registration, more sensible planning requirements and more consistent administration by local authorities.

Before new publicly supported nursery provision is opened, there should be a proper assessment of existing local capacity and the effect on established providers.

Most importantly, the study must actively involve a large number of single-setting nurseries and small independent groups. Their experiences cannot be properly understood only through large operators or national organisations.

CONCLUSION

The CMA study is an opportunity to look at whether the whole early years system can continue to operate in a sustainable way, rather than only considering whether parents can access funded hours in the immediate future.

A childcare market cannot work properly unless efficient providers can recover their costs, retain staff, invest in quality and continue operating over the long term.

The system cannot be designed only around the interests of parents and state-maintained provision while expecting private nurseries to absorb rising costs, inadequate funding and limits on extra income.

If small independent nurseries continue to close, families will eventually have less choice, local jobs will be lost and the sector will become increasingly dependent on schools and large corporate groups.

As a nursery manager, I would welcome the chance to contribute to further evidence-gathering, particularly discussions involving managers and owners of single settings and small nursery groups.

We are happy for this response to be published and linked to our organisation, provided personal contact details are removed.

Tel: [01202 695328](tel:01202695328)

Email: info@jackjillnursery.co.uk

149 Wareham Road,
Corfe Mullen,
Wimborne, BH21 3LA



Jack and Jill Nursery; registered in the UK as Saxonbury Road Ltd, company number : [06515389](tel:06515389), registered address: C/o Potter and Pollard, Suite 7, Wessex House, St. Leonards Road, Bournemouth, BH7 8QS

This email and any files transmitted with it are confidential and may be privileged. This email is intended solely for the use of the addressee. If you have received this in error, please contact the sender and delete the material immediately. Any unauthorised disclosure or copying is prohibited. Whilst all reasonable efforts are made to screen emails for known viruses, we cannot guarantee that any transmission will be virus free.