

Dear CMA

Please see below our response to the (11 questions) consultation on the proposed scope of the market study. It has become a very complex area for everyone to navigate (including parents, providers and local authority staff).

Q1: Do you agree with the proposed scope?

Yes although it could be helpful to consider or acknowledge - Local market variation

The study should recognise that childcare markets operate locally rather than nationally. National averages can mask significant variation between areas, particularly between deprived urban communities and more affluent areas. Also looking specifically at - **Chain provision**, as these type of providers tend to have policies that they apply nationally which do not meet the local requirements of individual local authority areas, it can also make it confusing for parents.

Q2: Do you agree with the articulation of a well-functioning market?

We broadly agree with the characteristics identified in paragraph 30.

However, we would recommend **strengthening references to inclusion and equitable access for disadvantaged children and children with SEND**. Looking at delivery models of SEND places to ensure equitable supply.

we would also suggest a possible fifth characteristic:

Sustainable provider delivery

A well-functioning childcare market should ensure providers can deliver high-quality services while remaining financially sustainable over the long term. The current framework often results in providers balancing public funding shortfalls through cross-subsidy from younger children, additional charges, or fee-paying parents. This can create instability and undermine the longer-term resilience of provision.

Q3: Does the sector currently display the characteristics of a well-functioning market?

a. Availability of supply: Yes, our current Childcare Sufficiency Assessment and data show that this is not currently an issue but of course it could be in some areas of England.

b. Effective competition between providers – Partially

Yes, providers do compete for families, particularly in areas with higher levels of provision. However, competition is limited by:

- Workforce shortages.
- Financial viability pressures.
- Physical capacity constraints.

Local demand patterns.(need to have affordable charges in more disadvantaged areas and the ability to set their charges higher in more affluent areas)

Many providers are focused on maintaining sustainability rather than expanding or innovating.

Childminders lack economy of scale to be financially sustainable and do not have separate office staff to take on administration tasks

c. Informed and engaged consumers – Yes but there is a need to **simplify the entitlement eligibility process** to allow parents to start a place with funding rather than having to pay until the start of the next term/funding period.

d. Well-designed regulatory environment No, this requires consistency and removal of **loop holes (please see examples below)**. The current regulations are open to interpretation and manipulation by large chain providers who have legal teams that seek and utilise loop holes in legislation.

Q5: Consumer journey and choice - The CMA should focus on:

Transparency of costs

Parents often experience confusion regarding:

- **Stretched Offer (please see examples below)**
- Funded hours (limit of 10 hours in a day when many providers deliver over 11 or 12 hours a day)
- Charges

Greater consistency and transparency would improve consumer confidence.

Transition points

Families face complexity when moving between childcare entitlements, employment circumstances or different providers, as well as from one local authority area to another.

Q6: Vulnerable consumers - We recommend focusing on:

Children with SEND and their families

These families frequently face:

- Limited availability of suitable places.
- Delays accessing specialist support.
- Inconsistent inclusion practices.
- Additional costs and logistical challenges.

Low-income families

Although funded childcare has expanded, barriers remain including:

- Upfront costs.
- Deposits.
- Additional charges.
- Transport costs.
- Providers being more likely to take a working parent family because they receive 30 hours funding whereas an early learning 2 year old or a 3 or 4 year old that is not eligible for the working parent entitlement only receive 15 hours funding.

Families experiencing vulnerability

This includes:

- Families affected by domestic abuse.
- Families with mental health challenges.
- Care-experienced parents.
- Homeless families.
- Families newly arriving in the UK.

These groups may face particular difficulties navigating childcare systems and securing places we use our family help service to support these families and the brokerage service through our family information service but the limitations of when a child can start a funded place, based on when they get their entitlement code and their ability to pay charges can restrict the places they are able to find.

Q9: Practices that may adversely affect consumers or competition - The CMA should consider:

Lack of price transparency

Different approaches to additional charges can make it difficult for parents to compare providers.

Restrictive contract terms

Parents can encounter:

- Long notice periods.
- Limited flexibility when circumstances change.

Lack of consistency and flexibility when stretching the entitlement (see example below and attached guidance)

Q10a: Regulatory frameworks, enforcement and redress – issues are as follows:

Consistency across agencies

Providers must engage with multiple regulatory and funding requirements. Greater alignment between agencies could reduce complexity. This includes differences between how local authorities manage the funding agreement with their providers.

Removal of loop holes

SEND/inclusivity accountability

Current accountability arrangements do not always create clear pathways for resolving concerns about inclusion and reasonable adjustments.

Q10b: Regulatory barriers to competition and innovation – CMA should consider:

Stretched model – Because there is no clear guidance on how to operate this and funded hours are only allocated based on (term time only) 38 weeks of the year providers can see this as an opportunity to fix their delivery model in way that forces parents into paying privately across school holidays.

Planning and premises requirements

Expansion can be constrained by:

- Planning processes.
- Availability of suitable premises.
- Capital costs.

Workforce qualification requirements

The sector benefits from a skilled workforce, but recruitment challenges mean that qualification requirements can sometimes restrict expansion where staff shortages already exist.

Q11: Barriers to entry and expansion

Yes. A number of barriers affect both new entrants and existing providers.

Financial viability

The most significant barrier is the relationship between provider costs and funding levels. Many providers operate on extremely narrow margins.

Workforce shortages

Recruitment and retention difficulties limit expansion across the sector.

Capital and premises costs

Providers face increasing costs associated with:

- Rent.
- Utilities.
- Building adaptations.
- Maintenance.

SEND support capacity

Providers frequently report insufficient resources to support increasing levels of complex need.

Barriers affecting smaller providers

Smaller providers and childminders are disproportionately affected by:

- Administrative burdens.
- Regulatory compliance costs.
- Staffing pressures.
- Limited economies of scale.

We would want to support small providers and childminders to help maintain diversity and choice within local childcare markets.

Examples of issues:

- Providers funded place offer removing choice for parents and forcing them into buying additional days to suit their needs. - 2 days minimum must include a Monday or a Friday
- Packed lunch policy requiring parents to drop off lunch at prescribed times in the middle of the day – forcing parents into paying charges for food or disrupting their day in work (technically the child is not receiving an artificial break in the day so it is compliant)
- Range of charges providers charging £22 an hour for food, consumables and activities.(what is reasonable?)
- Lack of inclusion when additional charges are not taken - see sections below from providers charging policy (attached a document shared with providers so they consider inclusion when setting their policies)

3. Trips and Outings 4. Extra-Curricular Activities

Children who opt out of the Enhanced Provision will not be able to participate in

trips or outings organised by the nursery, as these activities are included exclusively within the Enhanced Provision package. If a trip is scheduled on a day when a child who has opted out is attending, we will do our best to accommodate them in another room. Alternatively, parents may be asked to adjust their child's attendance for that week to ensure a smooth experience for all.

5. Parties and Annual Celebrations

Children who opt out of the enhanced provision will not participate in any parties, seasonal celebrations, or special events organized by the setting. This includes birthday parties, holiday-themed events graduation ceremonies, nativities, summer socials, stay and plays, easter bonnet parades and more.

- Stretched offer being confusing especially if a child doesn't complete a full year with a provider. The 10 hour cap on daily funded hours does not work with the stretched offer as it comes out at figures that are 1 or 2 hours over the 10 or 20 hours per week. For example 21.92 (for 30 hours stretched over 52 weeks) and 10.96 hours (15 hours stretched over 52 weeks) , 22.35 (for 30 hours stretched over 51 weeks) and 11.18 (for 15 hours stretched over 51 weeks). There is no consistency as to how many weeks a provider will stretch over, which week(s) they chose to be non-funded, nor how they deliver the 1.92, 0.96, 2.35, or 1.18 that cannot be fitted into a standard 10 hour funded day.

Best Regards

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1. Is the Opt-Out Policy Inclusive?

If a setting has an **opt-out policy** for enhanced provision (e.g. enrichment activities, trips, or resources that require additional payment), and children are **excluded** from these if payment isn't made, then **this is not inclusive**. Here's why:

- **Equity vs. Equality:** True inclusivity means all children have access to the same opportunities, regardless of their financial background.
- **Disadvantage and Stigma:** Children who are excluded due to non-payment may feel singled out or embarrassed, which can impact their emotional well-being and sense of belonging.
- **Legal and Ethical Considerations:** Publicly funded early years settings are expected to provide a universal offer. Charging for core provision or excluding children based on payment can be seen as discriminatory.

2. How Would Ofsted View This Policy?

Ofsted is likely to view such a policy **negatively**, especially if:

- It **creates barriers** to participation for disadvantaged children.
- It **contradicts the Early Years Foundation Stage (EYFS)** framework, which emphasizes inclusion, equal access, and promoting the welfare of all children.
- There is **evidence of exclusion** or differential treatment based on financial contribution.

Ofsted inspectors would likely question how the setting ensures **equal access** and how it supports families who may struggle to pay.

3. Would You Exclude a Child?

If a setting chooses to exclude a child from an activity because they didn't pay for enhanced provision, this could:

- Be seen as **discriminatory**.
- Lead to **complaints from parents** or even legal challenges.
- Damage the setting's **reputation** and **Ofsted rating**.

4. Recommendation

To align with best practice:

- Consider **fundraising, grants, or discretionary support** to cover costs for families who can't pay.
- Offer **voluntary contributions** without exclusion.
- Ensure all children can access the **full curriculum and enrichment** regardless of financial circumstances.

Stretched Offer Calculations for Providers

Funded Weeks by Term

Funding is based on **38 weeks per year**, split as follows:

- **Autumn Term:** 14 weeks
- **Spring Term:** 11 weeks
- **Summer Term:** 13 weeks

General Guidance

- **It is the providers responsibility to ensure stretched funding is calculated correctly.**
- The following information are examples of how the stretch can be calculated but you will need to use this as a guide as your arrangements may vary from the examples given.
- As the funding does not stretch into a whole number of hours. Settings should consider how they offer the remainder of hours which fall outside of a 10 hour funded day and ensure that parents understand how they receive these funded hours. (banked hours taken at another time within that funding period/term, hours taken on any invoice for additional paid for hours etc)
- Please check each term that stretch calculations are correct, especially for new starters or children changing to a stretched offer
- Providers should deliver a **full-year stretch starting from the Autumn term** where possible.
- If a child starts later or changes to a stretched offer look at the calculations for 1 or 2 term stretches:
 - **Spring start:** stretch over **2 terms (Spring + Summer)**
 - **Summer start:** stretch over **1 term (Summer only)**
- Stretching reduces weekly hours but spreads access across the year.
- Headcount must reflect **funded entitlement**, not actual weekly attendance.
- It is important you claim correctly as overclaims will be clawed back and once a funding period/term is finalised it will not be possible to receive payment to correct any underclaims.
- When accepting a child mid-term it is important to consider how a stretched offer may affect funded hours available to claim and available to be delivered. We would recommend completing the remainder of the term on term time only hours and starting the stretch at the start of the next funding period/term.

Summer-only stretch is limited and cannot support reduced hours (10/20).

Hours to Deliver to Parents (Stretched Offer)

Settings Open 52 Weeks

Full Year Stretch (Autumn, Spring, Summer – 38 weeks funding)

Offer	Max Funded Hours	Hours ÷ weeks of stretch	Weekly Hours Delivered
30 hours	30x38	$1140 \div 52$	21.92 hrs (21h 55m)
15 hours	15x38	$570 \div 52$	10.92 hrs (10h 55m)

Two-Term Stretch (Spring + Summer – 24 weeks funding)

Offer	Max Funded Hours	Hours ÷ weeks of stretch	Weekly Hours Delivered
30 hours	30x24	$720 \div 35$	20.57 hrs (20h 34m)
15 hours	15x24	$360 \div 35$	10.29 hrs (10h 17m)

One-Term Stretch (Summer – 13 weeks funding)

Offer	Max Funded Hours	Hours ÷ weeks of stretch	Weekly Hours Delivered
30 hours	30x13	$390 \div 22$	17.73 hrs (17h 43m)
15 hours	15x13	$195 \div 22$	8.86 hrs (8h 51m)

Please Note:

Settings must claim the full 15 or 30 hours on headcount, as this reflects the full entitlement across 38 weeks.

Headcount Claims (If Children Access Reduced Hours)

Settings Open 52 Weeks

Full Year Stretch (Autumn, Spring, Summer – 38 weeks funding)

Weekly Attendance	Maximum Accessed Hours (01/09-31/08)	Hours ÷ funded weeks	Headcount Entry
10 hours	10x52	$520 \div 38$	13.68 hrs
20 hours	20x52	$1040 \div 38$	27.37 hrs

Two-Term Stretch (Spring + Summer – 24 weeks funding)

Weekly Attendance	Maximum Accessed Hours (01/01-31/08)	Hours ÷ funded weeks	Headcount Entry
10 hours	10x35	$350 \div 24$	14.58 hrs
20 hours	20x35	$700 \div 24$	29.17 hrs

One-Term Stretch (Summer only– 13 weeks funding)

Weekly Attendance	Max Accessed Hours (01/04-31/08)	Calculation	Outcome
10 hours	10x22	$220 \div 13 = 16.92$	✗ Exceeds max claim
20 hours	20x22	$440 \div 13 = 33.85$	✗ Exceeds max claim

⚠ Note:

Parents cannot stretch 10 or 20 hours over the Summer term only, as this exceeds weekly claim limits of 15 or 30.

Other Operating Weeks

51 Weeks Open

Full Year Stretch 01/09-31/08

Offer	Max Funded Hours	Hours ÷ weeks of stretch	Weekly Hours Delivered
30 hours	30x38	$1140 \div 51$	22.35 hrs (22h 21m)
15 hours	15x38	$570 \div 51$	11.18 hrs (11h 10m)

Headcount (Reduced Attendance)

Weekly Attendance	Maximum Accessed Hours (01/09-31/08)	Hours ÷ funded weeks	Headcount Entry
10 hours	10x51	$510 \div 38$	13.42 hrs
20 hours	20x51	$1020 \div 38$	26.84 hrs

50 Weeks Open

Full Year Stretch 01/09-31/08

Offer	Max Funded Hours	Hours ÷ weeks of stretch	Weekly Hours Delivered
30 hours	30x38	$1140 \div 50$	22.80 hrs (22h 48m)
15 hours	15x38	$570 \div 50$	11.40 hrs (11h 24m)

Headcount (Reduced Attendance)

Weekly Attendance	Maximum Accessed Hours (01/09-31/08)	Hours ÷ funded weeks	Headcount Entry
10 hours	10x50	$500 \div 38$	13.16 hrs
20 hours	20x50	$1000 \div 38$	26.32 hrs

49 Weeks Open

Full Year Stretch 01/09-31/08

Offer	Max Funded Hours	Hours ÷ weeks of stretch	Weekly Hours Delivered
30 hours	30x38	1140 ÷ 49	23.27 hrs (23h 16m)
15 hours	15x38	570 ÷ 49	11.63 hrs (11h 38m)

Headcount (Reduced Attendance)

Weekly Attendance	Maximum Accessed Hours (01/09-31/08)	Hours ÷ funded weeks	Headcount Entry
10 hours	10x49	490 ÷ 38	12.89 hrs
20 hours	20x49	980 ÷ 38	25.79 hrs

48 Weeks Open

Full Year Stretch 01/09-31/08

Offer	Max Funded Hours	Hours ÷ weeks of stretch	Weekly Hours Delivered
30 hours	30x38	1140 ÷ 48	23.75 hrs (23h 45m)
15 hours	15x38	570 ÷ 48	11.88 hrs (11h 52m)

Headcount (Reduced Attendance)

Weekly Attendance	Maximum Accessed Hours (01/09-31/08)	Hours ÷ funded weeks	Headcount Entry
10 hours	10x48	480 ÷ 38	12.63 hrs
20 hours	20x48	960 ÷ 38	25.26 hrs

A Parent's Guide to "Stretched" Early Years Funding

What is early years funding?

The government provides funded early education for eligible children (for example, 15 or 30 hours per week during term time). Traditionally, this is taken over 38 weeks of the year (school term time).

What does "stretched" funding mean?

Some providers offer the option to "stretch" your child's funded hours across more weeks of the year instead of just term time. This means you use the same total number of funded hours each year, but they are spread more evenly, often across all 51–52 weeks.

How it works

Standard (term-time only):

15 hours per week for 38 weeks = 570 hours per year

30 hours per week for 38 weeks = 1,140 hours per year

Stretched offer (example based on 51 weeks):

11.18 hours (which is 11 hours and 10 minutes) per week over 51 weeks (instead of 15 hours)

22.35 hours (which is 22 hours and 21 minutes) per week over 51 weeks (instead of 30 hours)

Your provider will confirm exact weekly hours.

Things to be aware of

- Stretching does not increase total funded hours. You cannot receive more funded hours. Stretching does not increase your entitlement. It simply spreads it out.
- The offer will vary depending on when in the year you start a stretched place.
- How a provider delivers these hours will vary, depending on a number of factors including their opening hours and weeks. Providers will decide if they offer stretched places and how this works. They should give you information on their offer for you to read before you sign up with them.
- Funding is allocated based on you completing the full period of stretch so if you move or change your funded place part way through this period there may not be funding available for your child.
- Changes can usually only be made at set times.