

CMA – Early Years Education and Childcare Market Study

Invitation to comment on the Statement of Scope

NEU Response

July 2026

The National Education Union (NEU) brings together the voices of 500,000 teachers, lecturers, support staff and leaders working in maintained and independent schools and colleges across the UK, to form the largest education union in Europe. The NEU represents members in both the maintained early years sector and in the private and voluntary sector.

The NEU welcomes the opportunity to respond to the CMA's proposed scope for the market study into early years education and childcare. We have also submitted a response to the separate call for views via the online portal.

For further information please contact [REDACTED]

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?

Early years provision is a stage of education and a public good. Its beneficiaries include children - who are not the purchasers - and society at large, which gains from improved development, reduced inequality and higher employment, particularly for women. However, viewing the early years as a babysitting service or through the lens of school readiness underplays their educational importance and makes staff feel undervalued. Parents agree: the Early Education and Childcare Coalition found that giving children a good start in life is seen as the primary benefit of investing in early education (45%), compared to 37% who think the main benefit is to help parents work; 66% said that early education professionals do not get the respect they deserve.¹

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. The core issue is whether the system has sufficient funds to provide the quality, inclusion, and workforce capacity that the Government expects. The increase in family support services outlined in the Government's Best Start in Life Strategy is a positive step toward addressing some of the workload issues in the sector, as members often

¹ Early Education and Childcare Coalition, *Pulse Check 2025*
<https://www.earlyeducationchildcare.org/pulse-check>

report having to pick up the pieces of cutback family services. Investment is positive and will help with this; however, funding does not go far enough to make the policy meaningful. The IFS evidence is decisive. Total spending has expanded rapidly, but provider cost adjusted resources for 3- and 4-year-olds remain 22 per cent below their 2017–18 peak and fell by 4 per cent in the latest year. The direction of support has shifted towards working families, while eligibility, take-up, and expenditure for the disadvantaged 2-year-old offer have fallen.² The Government should publish a full cost of delivery assessment, establish automatic annual indexation, and commit to multi-year rates.

MNS require urgent action. The House of Commons Library confirms that approximately £89 million in supplementary funding is allocated for 2026–27 and that MNS face higher statutory costs because they must employ a headteacher, a governing body, a SENCO, and qualified teachers.³ The current supplement is nevertheless calculated against a pattern of universal hours that no longer reflects the children MNS serve. It should apply to all entitlements and age groups, include fixed school costs, be passed through in full and be guaranteed over multiple years.

The Government should also establish a central payment of MNS business rates. The 2026 Joint Stakeholder Survey recorded annual bills ranging from £1,800 to £137,500, with an average of £21,297 among 120 respondents, and substantial variation in whether local authorities pay or deduct those costs.⁴ Funding regulations should provide parity for Reception age children with SEND who are placed in MNS because an appropriate primary or special school place is unavailable. Historic deficits caused by underfunding should be considered for write-off where they threaten otherwise viable provision.

Early years' funding must support a qualified, fairly paid workforce. MNS demonstrate the value of teacher-led, graduate-led provision and specialist SEND expertise. They should be integral to Family Hubs, Stronger Practice Hubs, workforce development and inclusion reform, with their time and leadership capacity fully funded. The Government should develop a clear national strategy for MNS and consult trade unions on workforce standards, pay, training and workload.

International evidence also supports a broader review of system purpose. A rapid review of ten European systems found that none tied access solely to parental employment, and that stronger performing systems commonly combined progressive

² Institute for Fiscal Studies, *Annual report on education spending in England: 2025–26* (2026) <https://ifs.org.uk/publications/annual-report-education-spending-england-2025-26>

³ House of Commons Library, *Early years funding in England* (2026) <https://researchbriefings.files.parliament.uk/documents/CBP-8052/CBP-8052.pdf>

⁴ Early Education, *Maintained Nursery Schools' finances 2026: implications for the early years funding review* (2026), <https://early-education.org.uk/wp-content/uploads/2026/06/MNS-finance-survey-2026.pdf>

funding, public or publicly controlled provision, and sustained workforce investment. The report itself cautions that it was produced over three weeks and is not a systematic review, so individual country comparisons should not be overinterpreted. Its overall conclusion nevertheless reinforces the need to treat early education as public infrastructure and a public good, not only as labour market support.⁵

The Government should provide the Early Years sector with a fully funded settlement. No child, provider, or local authority should lose necessary support as a consequence of the Government's review of the Early Years National Funding Formula. The test of reform is not whether funding streams are fewer, but whether every child can access high-quality early education and whether the workforce and institutions required to deliver it are sustainable.

The government should commit to a comprehensive early years' funding settlement with the following elements:

- Funding rates that reflect provider specific cost inflation, including staffing, National Insurance, pensions, food, energy, premises and business rates;
- A long-term maintained nursery school funding settlement, with MNS supplementary funding reviewed, uprated, applied across entitlements and passed through in full;
- Central reimbursement or exemption for maintained nursery school business rates, in line with the principle applied to other state schools;
- Additional funding for SEND, including funding that covers 30-hour entitlements and earlier support before EHCPs;
- A stronger deprivation settlement that reverses the drift away from disadvantaged children;
- A visible quality and workforce funding route that supports graduate-led and teacher-led early education;
- Full impact assessment of school-based nursery expansion on MNS and existing high-quality provision;
- Access for MNS to capital funding where they have capacity to expand provision for two-year-olds, under-twos or specialist SEND places;
- Transparent local authority reporting on pass through, central spend, contingency, SENIF, targeted SEND funding and MNS supplementary funding.

⁵ Elevate Great, *Financing in Early Education and Care (2025)*,
https://media.elevategreat.co.uk/documents/Financing_in_ECEC_-_Elevate_Great_2025.pdf

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 most important finding for the consumer journey is that many parents cannot access the provision they would prefer. DfE's 2025 parent survey shows that 40% of parents of 2-4 year olds using another formal provider had looked into a nursery class attached to a primary or infants' school, and of those, 62% would prefer to use one (Tables 5.8-5.9).⁶ School settings have the highest "first choice" rates of any provider type: 91% for nursery classes and 88% for nursery schools, against 84% for day nurseries and 79% for childminders (Table 2.17). Excess demand is concentrated on school-based provision: 14% of children aged 0-4 using formal childcare are on a waiting list for another provider, and around three-quarters of those were waiting for a nursery school or nursery class (Tables 5.26-5.27).

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)?

The level of deprivation in an area greatly affects the number of early education and childcare places available. Analysis from University College London shows the number of places offered by private equity-backed providers more than doubled between 2018 and 2024, accounting for 8% of places in 2024.⁷ Private equity-backed nurseries are more likely to open in wealthier areas to maximise profit.⁸ Maintained nursery schools, which are typically based in areas of deprivation, have faced cuts and closures, despite providing the highest quality of early education.⁹

Funded hour entitlements are also tied to parental working status, effectively capping affordable high-quality early education for the poorest children at 15 hours. This means children who need it the most are excluded from the life-long benefits of high-quality early education and specialist early intervention, simply because their families cannot

⁶ Department for Education, *Childcare and early years survey of parents (2025)* <https://explore-education-statistics.service.gov.uk/find-statistics/childcare-and-early-years-survey-of-parents/2025>

⁷ cited in the CMA launch release, <https://www.gov.uk/government/news/cma-opens-probe-into-childcare-sector>

⁸ <https://www.ucl.ac.uk/news/2025/jun/private-equity-backed-nurseries-contribute-care-deserts-poorer-areas>

⁹ Early Education, <https://early-education.org.uk/campaigns/save-our-maintained-nursery-schools/>. See also Stewart, K., Gambaro, L. & Reader, M. (2025). *Levelling down? Understanding the decline of the maintained nursery sector in England*. *British Educational Research Journal*, 51, 1009–1038. <https://doi.org/10.1002/berj.4104>

afford it. Research from Coram found that only a third of local authorities had 100% sufficiency for disadvantaged two-year-olds entitled to 15 hours of funded education.¹⁰

Government figures show 39% of parents with a child receiving support for a special educational, health or disability need, and using a formal childcare provider, reported finding it difficult or very difficult to find a local provider that could cater for their child's needs.¹¹ Research from Coram found that less than a third of LAs have enough places for at least 75% of children with SEND, and more than half were not able to say either way.¹² In contrast, the latest provider survey found that MNS have the highest proportion of children with SEND on roll of any early years provider type: in 2025, 24% of children in MNS were recorded as having SEND, compared to 11% of children in group providers and 4% of children with childminders.¹³ The proportion of children with SEND is increasing. Staffing and financial pressures are making it harder for all settings to meet additional needs, meaning that the expertise of MNS is needed more than ever at a time when the resource to provide it is under unprecedented pressure. As part of the SEND reforms, Government should consider making inclusion units in MNS mandatory and ensure that LAs are given clear guidance on how these are to be funded.

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?

Competition in this sector is weakly disciplined by consumer preferences because demand exceeds supply. Where families face waiting lists and childcare deserts, providers do not need to compete on quality or price to fill places. The clearest evidence is that the market is not supplying the provision parents actually prefer: as set out in our answer to Q5 of the DfE's 2025 parent survey, 62% of parents who investigated a school-based nursery class would prefer one, school settings have the highest first-choice rates, and waiting lists are concentrated on school-based provision. The demand for school-based nurseries reflects a lack of parental confidence in the private market.

¹⁰ Coram Family and Childcare, *Annual Childcare Survey 2025* https://www.coramfamilyandchildcare.org.uk/childcare-and-family/wp-content/uploads/sites/4/2025/06/Childcare-Survey-2025_8-compressed.pdf

¹¹ Department for Education, *Childcare and early years survey of parents (2025)* <https://explore-education-statistics.service.gov.uk/find-statistics/childcare-and-early-years-survey-of-parents/2025#headlines-section>

¹² Coram Family and Childcare, *Annual Childcare Survey 2025* https://www.coramfamilyandchildcare.org.uk/childcare-and-family/wp-content/uploads/sites/4/2025/06/Childcare-Survey-2025_8-compressed.pdf

¹³ Department for Education, *Childcare and early years survey of parents (2025)* <https://explore-education-statistics.service.gov.uk/find-statistics/childcare-and-early-years-provider-survey/2025#section-section-7-special-educational-needs-and-disabilities>

Where competition does operate, it follows profitability rather than need. Private equity-backed chains locate disproportionately in wealthier areas, and their quality follows the same gradient: 8% of PE-backed nurseries in deprived areas were rated Outstanding, compared to over 27% of PE-backed nurseries in the wealthiest areas.¹⁴ This suggests investment in quality tracks parents' ability to pay, not children's needs.

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?

We urge the CMA to prioritise cross-subsidy pricing around the funded entitlements: providers charging parents above-cost rates for the hours they pay for, in order to subsidise the underfunded hours paid for by government. The IFS has repeatedly documented this mechanism: one of the key ways providers have plugged the funding shortfall is through cross-subsidy via the price charged to younger children, with the "free childcare" offer pushing providers to raise prices on paid hours to cross-subsidise children receiving government funding.¹⁵ The quantitative signature is that providers charge similar hourly prices irrespective of a child's age despite sharply different costs of provision by age.¹⁶ Internal DfE documents show this was anticipated by government when funding rates were set.¹⁷

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?

State-provided school-based nurseries offer the potential for far greater links to the rest of the education system and with it, the expertise of highly qualified education professionals - and the drive should be towards this model of provision. However, recent research from the Sutton Trust highlights the serious deficiencies of the government's approach and the significant barriers preventing schools from setting up on-site nurseries.¹⁸ In the Sutton Trust's survey of primary school leaders, the most common barriers for schools without an early years setting were no suitable indoor space (51%), high start-up costs (50%) and financial viability (46%); key financial barriers were the cost of staff-to-child ratios (73%), ongoing staff costs (67%) and the

¹⁴ <https://www.ucl.ac.uk/news/2025/jun/private-equity-backed-nurseries-contribute-care-deserts-poorer-areas>

¹⁵ Institute for Fiscal Studies, *The Changing Cost of Childcare* (2022) <https://ifs.org.uk/publications/changing-cost-childcare>

¹⁶ Institute for Fiscal Studies, <https://ifs.org.uk/education-spending/early-years>

¹⁷ Early Years Alliance FOI findings <https://www.eyalliance.org.uk/news/2021/06/new-data-shows-ministers-knew-early-years-was-underfunded>

¹⁸ Sutton Trust, *Room to Grow: School-based nurseries and the disadvantage gap* (2026) <https://www.suttontrust.com/news-opinion/all-news-opinion/reality-check-for-governments-flagship-school-nurseries-scheme/>

capital costs of converting school space (65%). These are unnecessary and disproportionate barriers to expanding the provision parents most want, and they are within government's power to remove.

Maintained Nursery Schools (MNS) provide the highest quality of early education and care, particularly to disadvantaged families and children with complex SEND who would otherwise have nowhere to go. MNS also play a vital role in improving sector quality through support and partnership with other settings. MNS face serious underfunding, resulting in cuts and closures. A recent survey by the joint-stakeholder Save MNS Campaign found 35% of MNS expected an in-year deficit at the end of 2025-26. 50% of MNS could not, or were not sure whether they could, set a balanced budget for 2026-27 based on published funding rates.¹⁹ Cost pressures continue to grow. The greatest cost pressures come from increased staff pay, funding for SEND support not covering costs, the gap between the cost of delivery and the funded entitlement rates and inflation.

¹⁹ Early Education, *Maintained Nursery Schools' finances 2026: implications for the early years funding review (2026)*, <https://early-education.org.uk/wp-content/uploads/2026/06/MNS-finance-survey-2026.pdf>