

Competition and Markets Authority Market Study into Childcare

Response on behalf of the National Union of Childminders

Executive Summary

The National Union of Childminders (NUC) welcomes the Competition and Markets Authority's (CMA) decision to undertake a market study into childcare. We believe this is both timely and necessary. We wrote to the CMA with our concerns in May 2025 and May 2026. The childcare market in England is undergoing profound change, characterised by a sustained decline in the number of registered childminders, increasing market concentration around school-based and large group provision, and growing financial pressures on independent providers.

This response focuses primarily on the experiences of registered childminders delivering government-funded early education and childcare under the 15 and 30 hours entitlement schemes. Childminders are an essential part of England's childcare infrastructure, particularly for babies and younger children, families requiring flexible childcare, children with additional needs, and parents working outside traditional school hours. Despite this, successive policy decisions have increasingly disadvantaged childminders compared with maintained nursery schools and, in some respects, larger nursery providers.

There are a number of objective facts that should concern the CMA.

First, Ofsted's own published inspection statistics consistently demonstrate that childminders achieve the highest proportion of Good and Outstanding inspection outcomes of any provider type. Approximately 98% of childminders inspected at their most recent inspection were judged Good or Outstanding. This demonstrates that childminders provide high-quality early education and childcare.

Secondly, despite these consistently high-quality outcomes, the number of registered childminders has continued to decline year after year. This reduction in provider numbers reduces consumer choice and weakens competition within local childcare markets.

Thirdly, the funding arrangements for the Government's funded childcare entitlements appear to create significant competitive distortions. Childminders operate under adult-to-child ratios that differ markedly from those applying in schools. For three and four-year-olds, a childminder is ordinarily limited to caring for three children under the age of five, whereas maintained nursery schools may operate with substantially larger groups per qualified or unqualified teacher. Yet the funding rates paid to childminders do not adequately reflect these structural differences.

In addition, maintained nursery schools receive a supplementary grant which is not available to childminders or other private, voluntary and independent (PVI) providers.

Government has justified this funding by reference to the presence of qualified teachers within maintained nursery schools. However, where childminder settings or private nurseries employ qualified teachers, no equivalent funding is made available. The rationale therefore appears to operate inconsistently across different provider types.

The National Union of Childminders is concerned that these funding arrangements may distort competition by placing independent providers at a structural disadvantage, reducing their ability to compete fairly for families choosing funded childcare.

The Government has also actively promoted school-based nurseries as offering children the "best start in life". We are concerned that such statements risk influencing consumer choice in favour of one category of provider despite Ofsted's published inspection data demonstrating exceptionally high quality amongst childminders. The CMA should consider whether such promotional activity may affect competition where comparative claims are made without transparent supporting evidence.

Finally, regulation should be examined as part of this market study. Childminders are among the most heavily regulated small businesses in England yet frequently receive fewer procedural protections than larger education providers during regulatory investigations. We believe aspects of the current regulatory framework may create disproportionate barriers to entry, expansion and continued participation within the childcare market.

The Union therefore urges the CMA to undertake a comprehensive examination of funding arrangements, regulatory practice, government communications and market incentives to determine whether they support genuine competition and consumer choice or whether they unintentionally favour particular provider types to the detriment of families and independent childcare businesses. We believe the CMA should make a market investigation reference under section 131 of the Enterprise Act 2002.

About the Respondent

This response is submitted on behalf of the National Union of Childminders.

 I have worked as a registered childminder for more than ten years, and have a career of over twenty years as a teacher within English education. I am also the author of *Surviving Ofsted*, a book examining the regulatory experiences of childminders and the operation of England's inspection system.

The National Union of Childminders represents the interests of registered childminders throughout England. In addition to older children, our members deliver early education and childcare under both private arrangements and the Government's funded entitlement schemes. They provide early education and childcare for babies, toddlers

and pre-school children, including children with Special Educational Needs and Disabilities (SEND), children from disadvantaged backgrounds and children requiring flexible care because of parental working patterns.

Many of our members provide childcare outside conventional school hours, including early mornings, evenings, weekends and school holidays. Consequently, childminders play a particularly important role for key workers, including NHS staff, police officers, carers, teachers, retail workers and others whose employment requires flexible childcare.

Our members' experience is that consumer demand for flexible home-based childcare remains strong. However, increasing numbers report that delivering funded childcare, particularly for three and four-year-olds, has become financially unsustainable under current funding arrangements. The decline in registered childminder numbers suggests these concerns are not isolated but reflect wider structural issues affecting the market.

This submission draws upon the professional experience of our members alongside publicly available evidence, including Ofsted inspection statistics, Department for Education policies, funding arrangements and published data relating to childcare provision. Where this response expresses concerns or opinions regarding competition, those should be understood as matters which we invite the Competition and Markets Authority to investigate rather than assertions of established legal liability.

Question 1

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?

The National Union of Childminders welcomes the Competition and Markets Authority's decision to undertake this market study. However, we believe the proposed scope should be expanded to examine the role of Government policy itself in shaping competition within England's childcare market.

Unlike many markets, childcare is heavily influenced by central government. The Department for Education determines funding rates, eligibility criteria, regulatory requirements, inspection arrangements and national policy messaging. Local authorities administer funded childcare schemes and impose contractual conditions on providers. As a result, competition is influenced not only by consumer choice and provider quality but also by decisions taken by public authorities.

The CMA should therefore investigate whether Government funding policy creates structural distortions between different categories of childcare provider.

Funding arrangements

One area requiring detailed examination is the funding of three and four-year-old funded childcare.

Childminders typically operate under adult-to-child ratios that limit them to caring for three children under the age of five, whereas maintained nursery schools may operate with one teacher and one practitioner for substantially larger groups of three and four-year-olds. Despite these fundamentally different cost structures, funding rates paid to childminders frequently do not reflect the reduced economies of scale under which they operate.¹

The position is further exacerbated by the Maintained Nursery School Supplementary Funding. Government guidance indicates that maintained nursery schools continue to receive significant additional funding through a separate supplementary grant. Based on the 2026–27 funding rates, this equates to approximately £94 additional funding per child per term-time week compared with equivalent funded provision delivered by most childminders and other private, voluntary and independent (PVI) providers.²

Government has explained this additional funding on the basis that maintained nursery schools employ qualified teachers. However, where childminder settings or private nurseries employ qualified teachers, no equivalent supplementary funding is generally available.

The Union is concerned that these funding arrangements may place childminders and other PVI providers at a structural competitive disadvantage. We invite the CMA to consider whether these arrangements are objectively justified or whether they distort competition by favouring one provider type over another.

Government communications

The CMA should also examine whether Government communications influence consumer choice.

The Department for Education's policy paper *Giving Every Child the Best Start in Life* repeatedly promotes school-based nurseries as central to improving early years provision.³ While Government is entitled to promote policy initiatives, official statements suggesting one category of provider offers children the "best start" may influence parental decision-making.

We are concerned because this messaging appears difficult to reconcile with Ofsted's published inspection evidence. Ofsted's childcare inspection statistics show that approximately 98% of childminders were judged Good or Outstanding at their most recent inspection, representing the highest proportion achieved by any childcare provider type, including school-based provision.⁴

The CMA should therefore examine whether Government communications provide consumers with balanced information or whether they unintentionally favour one provider type despite published evidence demonstrating consistently high quality across the childminding sector.

Declining competition

A further reason for expanding the scope is the continuing reduction in registered childminders.

According to Ofsted, the number of registered childminders has fallen from almost 48,000 in 2015 to approximately 25,000 by 2025, including a further fall of around 1,000 (4%) between 2024 and 2025 alone.⁵

This sustained decline reduces competition, weakens consumer choice and increases the risk that families become increasingly dependent upon fewer provider types.

The CMA should investigate the reasons for this long-term market contraction and determine whether current funding and regulatory arrangements contribute to providers exiting the market.

Regulation and market entry

The market study should also examine whether aspects of the regulatory framework create unnecessary barriers to entry or expansion.

Many childminders believe that the administrative requirements associated with delivering funded childcare have increased substantially. Although childminders remain legally self-employed businesses, participation in funded childcare increasingly requires compliance with extensive contractual conditions imposed by local authorities and the Department for Education concerning charging policies, attendance, record-keeping, eligibility verification, audits and delivery requirements.

The cumulative effect is that many childminders experience limited commercial autonomy when delivering funded childcare. While these arrangements may be justified for safeguarding public funds, the CMA should consider whether they create disproportionate burdens for micro-businesses compared with larger providers.

Consumer choice

Finally, the study should examine whether current policy reduces consumer choice.

Approximately 89% of childminders provide childcare throughout both term time and school holidays, whereas only around 15% of maintained nursery schools offer year-round provision.⁶ Childminders also provide significantly more early morning, evening and flexible childcare than most school-based settings.

This flexibility is essential for many key workers, including NHS staff, police officers, carers, teachers, hospitality workers and others working outside standard school hours.

If current funding arrangements discourage childminders from delivering funded places, particularly for three and four-year-olds, parents lose access to childcare that best meets their employment and family needs.

For these reasons, we recommend that the CMA explicitly prioritise investigation of:

- whether Government funding arrangements distort competition between provider types;
- whether Government communications influence parental choice in favour of particular providers;
- whether regulatory requirements create disproportionate burdens for childminders and other micro-businesses;
- whether current policies contribute to the long-term decline in childminder numbers; and
- the impact of reduced childminder provision on consumer choice, labour market participation and childcare accessibility.

Question 2

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?

We agree with the CMA's broad description of a well-functioning childcare market but believe it should be strengthened in several important respects.

A well-functioning childcare market should not simply maximise the number of childcare places available. It should also ensure that different provider types are able to compete fairly on merit and that Government policy does not unnecessarily distort competition.

First, competitive neutrality should be recognised as a defining characteristic of a well-functioning market.

Where different providers deliver the same statutory funded childcare entitlement, funding mechanisms should be objectively justified and should not systematically favour one provider type without compelling evidence that differential treatment is necessary and proportionate.

Secondly, the CMA should recognise that consumer choice depends upon diversity of provision rather than the expansion of any single provider model.

Families require different forms of childcare. Many parents deliberately choose childminders because they offer small-group care, continuity of relationships, mixed-age learning, flexible hours and year-round provision. A market that increasingly favours school-based provision at the expense of childminders cannot be regarded as fully competitive if consumers lose meaningful choice.

Thirdly, Government communications should be evidence-based and competitively neutral.

Where Government promotes one provider type using comparative language, such claims should be supported by transparent evidence. Public confidence depends upon official communications accurately reflecting the available evidence rather than unintentionally steering consumers towards one sector.

Fourthly, regulation should be proportionate.

Childminders are almost entirely micro-businesses. Regulation that may be manageable for large organisations can impose disproportionate burdens upon sole traders. The CMA should therefore consider whether regulatory obligations are proportionate to business size while continuing to protect children and public funds.

Finally, a well-functioning childcare market should support innovation, sustainability and market entry.

The continuing decline in childminder numbers suggests that important parts of the market may no longer be economically sustainable. If high-quality providers are leaving despite strong consumer demand and excellent inspection outcomes, this should itself prompt examination of whether competition is functioning effectively.

In summary, we suggest the CMA explicitly incorporate the following additional characteristics into its description of a well-functioning childcare market:

- competitive neutrality between provider types;
- funding arrangements that reflect genuine differences in delivery costs without creating unnecessary competitive distortions;
- evidence-based Government communications that enable informed consumer choice;
- proportionate regulation that does not impose unnecessary barriers on micro-businesses;
- preservation of diversity within the childcare market; and
- long-term sustainability of all high-quality provider types.

These characteristics would better reflect the unique nature of the childcare market, where Government simultaneously acts as regulator, funder, purchaser and market participant.

Question 3

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.

The National Union of Childminders considers that, while aspects of the childcare sector remain competitive, the market as a whole does not currently display many of the characteristics of a well-functioning market.

A well-functioning market should enable consumers to choose between providers based upon quality, suitability and value rather than because public policy artificially advantages one category of provider over another. It should also enable efficient providers to remain financially sustainable and encourage new providers to enter the market. We are concerned that this is no longer the case for childminders delivering Government-funded childcare.

High quality is not being rewarded

Published evidence demonstrates that registered childminders consistently provide high-quality childcare.

According to Ofsted's latest published inspection statistics, 98% of childminders were judged Good or Outstanding at their most recent inspection, the highest percentage achieved by any provider type, including maintained nursery schools and school-based provision.⁷

Ordinarily, a competitive market would be expected to reward providers delivering consistently high-quality services. Instead, the opposite appears to be occurring.

The number of registered childminders has fallen from almost 48,000 in 2015 to approximately 25,000 by 2025, with around 1,000 childminders leaving the profession between 2024 and 2025 alone.⁸

The continued decline of the provider type with the strongest inspection outcomes raises important questions regarding whether the market is functioning efficiently.

Funding arrangements appear to distort competition

The Union believes one of the principal drivers of market failure is the current funding system for Government-funded childcare.

Childminders generally operate with significantly lower adult-to-child ratios than maintained nursery schools when caring for three and four-year-olds. Consequently, childminders have substantially lower earning capacity per practitioner while facing many of the same operating costs.

At the same time, maintained nursery schools continue to receive additional supplementary Government funding through the Maintained Nursery School Supplementary Grant.⁹

Government has explained this additional funding on the basis that maintained nursery schools employ qualified teachers. However, where qualified teachers are employed within childminder settings or other private, voluntary and independent providers, equivalent funding is generally unavailable.

The Union is concerned that these arrangements may reduce the ability of childminders to compete on equal terms and should be examined by the CMA as a potential distortion of competition.

Government policy may influence consumer behaviour

Competition depends not only upon funding but also upon informed consumer choice.

The Department for Education has promoted school-based nurseries through its policy paper *Giving Every Child the Best Start in Life*.¹⁰ While Government is entitled to promote policy initiatives, official statements highlighting one provider type may influence parental choice.

The CMA should examine whether such communications present a balanced picture of the childcare market, particularly where published inspection evidence demonstrates that childminders consistently achieve exceptionally high inspection outcomes.

Consumer choice is reducing

The reduction in childminder numbers has wider implications for competition.

Childminders provide services that are often unavailable elsewhere, including early morning childcare, evening care, year-round provision and highly flexible arrangements for parents working outside standard office hours.

Department for Education survey data indicate that approximately 89% of childminders operate throughout both term time and school holidays, compared with only around 15% of maintained nursery schools.¹¹

This flexibility is particularly important for NHS staff, police officers, carers, retail workers, transport workers, teachers and many other key workers whose employment patterns extend beyond the traditional school day.

As childminders leave the profession, many parents lose access to the form of childcare that best meets their family's needs.

Regulation may inhibit competition

The Union also believes that regulation should form part of the CMA's assessment.

Childminders are predominantly sole traders or micro-businesses. Delivering funded childcare requires compliance with extensive contractual requirements imposed through local authority funding agreements, together with statutory requirements established by the Department for Education and Ofsted.

Although providers remain legally self-employed, many members report that their commercial freedom when delivering funded childcare is increasingly constrained by rules governing funded hours, charging policies, attendance, audits and other operational matters.

The CMA should consider whether these cumulative requirements impose disproportionate burdens upon smaller providers and discourage participation in funded childcare.

Recommendations

The Union recommends that the CMA examine:

- whether funding rates adequately reflect the different operating costs of different provider types;
- whether supplementary funding for maintained nursery schools creates competitive distortions;
- whether Government communications influence consumer choice in favour of one provider type;
- the reasons for the continuing decline in childminder numbers; and
- whether regulatory requirements unnecessarily inhibit competition within the childcare market.

Question 5

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?

Yes.

The Union believes the CMA should place particular emphasis upon whether parents are genuinely able to make informed choices between different forms of childcare.

Government information should be balanced

Parents frequently rely upon Government websites, local authority Family Information Services and official communications when deciding which childcare provider to use.

Where Government communications place particular emphasis upon school-based nurseries, parents may reasonably conclude that these settings provide superior childcare.

However, Ofsted's own inspection statistics demonstrate that childminders consistently achieve the highest proportion of Good and Outstanding inspection outcomes of any provider type.¹¹

The CMA should therefore examine whether official communications provide sufficiently balanced information to enable informed consumer choice.

Choice is becoming increasingly limited

The decline in registered childminders means that many families simply have fewer options available.

This reduction particularly affects rural communities, disadvantaged areas and families requiring flexible childcare outside standard school hours.

Where fewer childminders remain in the market, parents may have little practical choice but to use larger providers whose opening hours do not meet their employment needs.

Flexible childcare is essential for many families

Many parents deliberately choose childminders because they offer flexibility that other providers cannot.

Approximately 89% of childminders provide childcare throughout both term time and school holidays, allowing parents to stretch their funded childcare entitlement across the year rather than concentrating it during school terms.¹¹

This flexibility enables many parents to remain in employment throughout the year and is particularly valuable for key workers and parents working shifts.

If funding arrangements make three and four-year-old funded childcare financially unsustainable for childminders, families lose access to this important form of provision.

Financial barriers affect consumer choice

Our members increasingly report that they cannot afford to offer funded places for three and four-year-olds because current funding rates do not adequately cover delivery costs.

Where providers withdraw from funded childcare or leave the profession entirely, parents lose meaningful choice.

Recent media reporting has documented growing concerns among providers regarding the financial viability of funded childcare.¹²

The CMA should therefore investigate whether funding policy itself is reducing consumer choice.

Equality of access

The CMA should also consider whether particular groups are disproportionately affected by declining childminder provision.

Families requiring childcare outside standard working hours, disabled parents, lone parents, families in rural communities and those with limited transport options often depend upon childminders because larger settings cannot meet their needs.

A reduction in childminder numbers therefore risks widening inequalities in access to childcare.

Particular issues affecting childminders

Finally, we invite the CMA to examine whether certain regulatory restrictions unnecessarily reduce parental choice.

For example, registered childminders delivering funded childcare are generally prohibited from claiming funded hours for related children, whereas comparable restrictions do not apply in the same way within maintained nursery schools and many group-based settings. Coram PACEY has previously raised concerns regarding these rules and their impact upon family choice and provider sustainability.¹³

The CMA should also consider whether regulatory requirements unique to childminders - including some local authority funding conditions and aspects of Ofsted's registration regime - reduce the willingness of providers to remain within the funded childcare market.

A childcare market cannot be regarded as genuinely consumer-focused if Government policy, funding mechanisms or regulation reduce the diversity of providers available to families. Competition should enable parents to choose the childcare that best suits their child and employment circumstances rather than directing them towards one model of provision through financial or regulatory incentives.

Question 6

Are there any specific areas 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)?

Yes.

The National Union of Childminders believes that the CMA should pay particular attention to how current childcare funding, regulation and market changes affect vulnerable families and those whose childcare requirements are not well served by standard term-time provision.

Working families and key workers

Many vulnerable consumers are not necessarily identified by traditional measures of disadvantage. Parents working irregular hours, shift workers, lone parents and key workers often require childcare outside the conventional 9am–3pm school day.

Childminders play a particularly important role in meeting these needs. Department for Education data indicate that approximately 89% of childminders operate throughout both term time and school holidays, compared with around 15% of maintained nursery schools.¹¹

As childminder numbers continue to decline, these families may struggle to access childcare that matches their working patterns. The result may be reduced labour market participation, reduced household income and increased financial hardship.

Low-income families

Low-income families are particularly vulnerable to reductions in provider choice.

Where childminders withdraw from funded childcare because funding rates do not cover delivery costs, parents may face fewer local childcare options. In some areas, alternative provision may be unavailable, have long waiting lists or operate only during school hours.

The childcare market should not simply provide funded places in theory; it should ensure that funded places are practically accessible to working families throughout the year.

Children with SEND

Children with Special Educational Needs and Disabilities (SEND) may also be disproportionately affected by declining childminder numbers.

Many parents choose childminders because smaller settings can offer greater continuity of care, quieter environments and more individualised support.

The Government's own childcare policies increasingly emphasise inclusion and SEND support. However, if funding arrangements contribute to the loss of flexible childminder provision, some children with SEND may find it harder to access suitable early years provision.

The CMA should therefore examine whether funding arrangements adequately reflect the additional costs associated with inclusive provision and whether current policies affect the availability of childcare for children with additional needs.

Rural families

Rural communities frequently rely on childminders because larger nursery settings may be geographically distant.

Where a childminder leaves the profession, families may be required to travel significantly further to access childcare, increasing costs and reducing convenience.

The continued decline in childminder numbers therefore has particular implications for rural consumer choice and accessibility.

Families requiring year-round childcare

Many parents choose to "stretch" their funded childcare entitlement over the full year rather than using it solely during school terms.

This arrangement is especially important for families who work throughout the year and cannot make alternative arrangements during school holidays.

Because childminders are significantly more likely than maintained nursery schools to offer year-round provision, reductions in childminder numbers may disproportionately affect families requiring continuous childcare.¹¹

Recommendations

The CMA should specifically examine:

- the impact of declining childminder numbers on vulnerable and low-income families;
- access to childcare for shift workers and key workers;
- childcare availability for children with SEND;
- childcare accessibility in rural communities;
- the effect of funding policies on year-round childcare provision; and
- whether current arrangements disproportionately disadvantage families whose childcare needs fall outside standard school hours.

Question 8

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?

Yes.

The CMA should investigate whether competition within childcare is being driven primarily by consumer preference and quality or by Government funding and regulatory policies.

Competition should be based on quality and consumer choice

Ofsted's published inspection statistics show that approximately 98% of childminders are judged Good or Outstanding, representing the highest percentage of any childcare provider type.⁷

A competitive market would ordinarily be expected to reward providers delivering consistently high-quality services.

However, the number of registered childminders has continued to decline significantly over the last decade, falling from almost 48,000 in 2015 to approximately 25,000 by 2025.⁸

This suggests that quality alone is not determining market outcomes.

Funding structures influence competition

The CMA should examine whether current funding structures favour particular provider types.

Maintained nursery schools receive supplementary Government funding in addition to ordinary early years funding allocations.⁹

At the same time, childminders delivering funded childcare frequently report that funding rates for three and four-year-olds do not adequately reflect delivery costs.

Where providers compete under substantially different funding arrangements, market outcomes may reflect policy decisions rather than genuine consumer preferences.

Flexibility is not properly recognised

Consumers often choose childcare providers based on flexibility rather than inspection grades alone.

Many childminders provide:

- early morning care;
- evening care;
- holiday childcare;
- year-round provision;
- smaller group environments; and
- continuity of care.

These are services that many parents actively seek.

The CMA should investigate whether funding and regulatory arrangements adequately recognise the value consumers place on these characteristics or whether the current system disproportionately favours larger institutional providers.

Government influence on competition

Government is not a neutral observer in this market.

It sets funding rates, determines eligibility rules, regulates providers through Ofsted and local authorities, and publishes information influencing parental choice.

The CMA should therefore examine whether Government actions inadvertently shape competition in ways that favour some provider types over others.

Recommendations

The CMA should investigate:

- whether quality is being rewarded appropriately within the market;
- whether funding mechanisms distort competition;
- whether flexibility and year-round provision are adequately valued;
- whether Government communications influence consumer behaviour; and

- whether current policies contribute to the decline of otherwise successful providers.

Question 9

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?

Yes.

The Union believes there are several practices that merit careful investigation because they may adversely affect both consumers and competition.

Differential public funding

The most significant issue is differential public funding between provider types.

Maintained nursery schools receive supplementary Government funding not generally available to childminders or most other PVI providers.⁹

The CMA should investigate whether this differential treatment is objectively justified and whether it creates barriers to effective competition.

Government promotional activity

The CMA should also examine whether Government promotional activity affects competition.

The Department for Education's policy paper *Giving Every Child the Best Start in Life* promotes school-based nursery expansion.¹⁰

While Governments are entitled to pursue policy objectives, official communications may influence consumer behaviour.

The CMA should consider whether comparative claims are supported by evidence and whether Government communications provide balanced information regarding alternative provider types.

Regulatory asymmetry

The Union is concerned that some regulatory requirements may affect childminders differently from larger providers.

Examples include:

- requirements relating to funded childcare agreements;
- restrictions on funded childcare for related children;

- registration and compliance requirements unique to childminders;
- administrative burdens associated with local authority audits and monitoring.

Coram PACEY has previously highlighted concerns regarding restrictions affecting funded childcare for related children and the impact these may have on parental choice and provider sustainability.¹³

The CMA should assess whether such requirements are proportionate and whether they unnecessarily reduce competition.

Market exit and provider sustainability

A further area of concern is the continuing loss of childminders from the market.

A reduction from almost 48,000 childminders in 2015 to approximately 25,000 in 2025 represents a substantial contraction in provider numbers.⁸

The CMA should investigate whether funding rates, regulatory burdens and policy decisions contribute to provider exits and whether this loss of market diversity ultimately harms consumers.

Consumer information

Finally, the CMA should examine whether parents receive sufficiently balanced and accurate information when choosing childcare.

Consumers can only exercise meaningful choice when they understand the strengths, costs and availability of different provider types.

If information sources disproportionately emphasise particular forms of childcare while giving limited attention to alternatives, competition may be adversely affected.

Recommendations

The CMA should prioritise examination of:

- differential public funding arrangements;
- Government communications and promotional activity;
- regulatory requirements affecting childminders;
- barriers contributing to provider exit;
- restrictions affecting funded childcare delivery; and
- the quality and balance of information available to parents.

Question 10a

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?

Yes.

The National Union of Childminders believes the CMA should examine whether the current regulatory framework promotes fair competition between childcare providers or whether aspects of regulation unintentionally distort the market.

Regulatory asymmetry between provider types

Although all early years providers are regulated under the Early Years Foundation Stage (EYFS), childminders are subject to regulatory requirements that differ materially from those applying to maintained schools and many larger nursery providers.

Childminders are predominantly sole traders operating from their homes. Enforcement action taken against an individual childminder may therefore immediately remove their only source of income, whereas regulatory action against larger organisations is less likely to have the same immediate economic effect on individual staff.

The Union believes the CMA should consider whether differences in enforcement mechanisms create competitive disadvantages for childminders and influence decisions to remain in the market.

Ofsted enforcement and market exit

The continued decline in childminder numbers - from almost 48,000 in 2015 to approximately 25,000 by 2025 - suggests that market exit is occurring on a significant scale.⁵

While many factors contribute to provider exit, our members report that concerns about regulatory investigations, lengthy enforcement processes and uncertainty regarding

business continuity discourage both new entrants and experienced providers from remaining within the profession.

The CMA should examine whether enforcement practices indirectly affect competition by increasing business risk for micro-enterprises.

Local authority funding agreements

The Union also recommends examination of local authority funding agreements governing the delivery of funded childcare.

Although childminders remain independent businesses, participation in the funded childcare scheme requires acceptance of detailed contractual conditions concerning:

- attendance recording;
- eligibility verification;
- charging policies;
- audits;
- funding claims;
- compliance monitoring; and
- reporting requirements.

These requirements are intended to protect public expenditure and ensure accountability. However, their cumulative effect may impose disproportionately greater compliance costs on sole traders than on larger providers with dedicated administrative staff.

The CMA should consider whether there is greater scope for national consistency and regulatory simplification.

Complaint mechanisms

The Union also believes complaint and redress mechanisms should be reviewed.

Parents require accessible complaints procedures, but providers likewise require transparent, timely and proportionate processes where complaints are investigated.

Where investigations remain unresolved for extended periods, or where allegations ultimately prove unfounded, sole traders may nevertheless suffer irreparable reputational and financial damage.

The CMA should consider whether current enforcement and complaint procedures promote confidence in the market while remaining proportionate for small businesses.

Consumer outcomes

Effective regulation should improve consumer confidence while preserving market diversity.

Where regulation contributes to provider exit, consumers ultimately experience reduced choice, reduced flexibility and longer waiting times.

The Union therefore recommends that the CMA examine whether current regulatory arrangements achieve an appropriate balance between safeguarding children, protecting public funds and preserving effective competition.

Question 10b

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.

The Union believes that several aspects of the current regulatory framework may discourage market entry and limit expansion by childminders.

Administrative complexity

Prospective childminders entering the funded childcare market must comply with multiple regulatory systems simultaneously, including:

- Ofsted registration;
- EYFS statutory requirements;
- local authority funding agreements;
- safeguarding obligations;
- eligibility verification processes;
- audit requirements;
- data protection obligations; and
- HM Revenue & Customs requirements.

Individually these requirements may be justified. Collectively, however, they create substantial administrative burdens for individuals establishing small businesses.

The CMA should consider whether the cumulative effect exceeds what is necessary to achieve legitimate regulatory objectives.

Restrictions on commercial freedom

Many members report that, although legally self-employed, participation in funded childcare significantly limits their commercial discretion.

Funding agreements commonly regulate matters including:

- funded hours;
- charging arrangements;
- deposits;
- additional fees;
- invoicing practices;
- record keeping; and
- parental agreements.

The Union considers that the cumulative degree of contractual control is relevant to understanding competitive dynamics because it limits the flexibility that would ordinarily characterise an independent business.

The CMA should examine whether these controls are proportionate and whether greater flexibility could be achieved without compromising accountability for public funding.

Restrictions affecting funded childcare

The Union also believes the CMA should examine restrictions preventing registered childminders from claiming funded childcare for related children.

Coram PACEY has previously argued that these restrictions reduce parental choice and create inconsistency across different provider types.¹³

Where comparable restrictions do not apply in the same manner to other providers delivering identical statutory entitlements, the CMA should consider whether such differences unnecessarily restrict competition.

Barriers to innovation

Childminders have historically demonstrated considerable innovation through flexible childcare, evening provision, weekend care, blended education models and year-round provision.

However, where funding arrangements and regulatory requirements make funded childcare financially unattractive, providers may be discouraged from expanding these services or developing innovative business models.

Competition is strongest where providers are able to respond flexibly to consumer demand.

The CMA should therefore consider whether current regulation unintentionally discourages innovation.

Question 11

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?

Yes.

The Union believes that childminders, almost all of whom operate as sole traders or micro-businesses, experience barriers that differ fundamentally from those faced by larger childcare providers.

Financial viability

The most significant barrier is financial sustainability.

Although childminders consistently achieve exceptionally high inspection outcomes, many report that current funding rates for three and four-year-olds do not cover the true costs of delivering funded childcare.

At the same time, maintained nursery schools continue to receive supplementary Government funding unavailable to most independent providers.²

Where providers cannot recover sustainable operating costs, market entry becomes unattractive and existing providers leave the profession.

Declining provider numbers

Ofsted statistics demonstrate a sustained decline in childminder numbers over the last decade, falling from almost 48,000 in 2015 to approximately 25,000 by 2025.⁵

A shrinking provider base is itself evidence that barriers to remaining in the market may be increasing.

The CMA should investigate the relative contribution of funding policy, regulation and administrative burdens to this trend.

Regulatory burden on micro-businesses

Unlike larger organisations, childminders generally have no dedicated administrative staff.

Compliance obligations therefore fall entirely upon individual providers who must simultaneously deliver childcare, maintain regulatory records, administer funding claims and comply with multiple inspection and audit requirements.

The cumulative burden may discourage new entrants and reduce the willingness of experienced providers to expand.

Premises-related requirements

Members have also expressed concern regarding certain registration requirements affecting home-based providers.

For example, childminders may be asked to obtain written permission from landlords before registration where they operate from rented accommodation.

The Union notes that childminding is generally regarded for planning purposes as working from home rather than a material change of residential use, and many tenancy agreements expressly permit home working.

Where permission requirements are applied inconsistently or without clear legal necessity, they may unnecessarily discourage entry into the profession.

The CMA should consider whether such requirements are proportionate and consistently applied.

Competition between provider types

Finally, the Union believes the CMA should examine whether Government policy unintentionally favours expansion of one provider model over another.

Government investment in school-based nursery expansion undoubtedly increases childcare capacity. These can be seen in financial incentives and grants given to schools to create school-based nurseries. However, policy should seek to expand overall childcare provision rather than replace one diverse provider type with another.

Consumers benefit from a mixed childcare economy comprising childminders, maintained nursery schools, private nurseries, voluntary providers and school-based settings.

Maintaining that diversity strengthens resilience, improves parental choice and promotes effective competition.

Recommendations

The Union recommends that the CMA consider:

- whether funding rates adequately support financially sustainable provision by micro-businesses;

- whether supplementary funding available only to maintained nursery schools distorts competition;
- whether cumulative regulatory requirements disproportionately affect sole traders;
- whether local authority funding agreements unnecessarily restrict commercial freedom;
- whether home-based providers face disproportionate entry barriers;
- whether restrictions affecting funded childcare reduce competition and consumer choice; and
- whether reforms could reduce unnecessary regulatory burdens while maintaining high standards of safeguarding and accountability.

References

1. Department for Education, *Early Years Funding Rates and Step-by-Step Calculations 2025–2026*.
2. Department for Education, *2026–2027 Early Years National Funding Formulae: Technical Note*: <https://www.gov.uk/government/publications/early-years-funding-2026-to-2027/2026-to-2027-early-years-national-funding-formulae-technical-note>
3. Department for Education, *Giving Every Child the Best Start in Life* (2025): <https://www.gov.uk/government/publications/giving-every-child-the-best-start-in-life>
4. Ofsted, *Childcare Providers and Inspections at 31 March 2024*: <https://www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-march-2024/main-findings-childcare-providers-and-inspections-as-at-31-march-2024>
5. Ofsted, *Childcare Providers and Inspections at 31 March 2026*: <https://www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-march-2026/main-findings-childcare-providers-and-inspections-as-at-31-march-2026>
6. Department for Education, *Explore Education Statistics – Childcare and Early Years Providers Survey*.
7. Ofsted, *Childcare Providers and Inspections at 31 March 2024*.
8. Ofsted, *Childcare Providers and Inspections at 31 March 2026*.
9. Department for Education, *2026–2027 Early Years National Funding Formulae: Technical Note*.

10. Department for Education, *Giving Every Child the Best Start in Life*.
11. Department for Education, *Childcare and Early Years Providers Survey*, Explore Education Statistics.
12. BBC News, "Free childcare: Providers warn funding shortfalls threaten places" (reporting concerns over funded childcare sustainability).
13. Coram PACEY, *Policy Briefing: Related Children and Funded Childcare* (2025).
https://www.corampacey.org.uk/wp-content/uploads/2025/01/Policy-briefing_related-children2025.pdf

Response to be attributed to:

[REDACTED]

[REDACTED] National Union of Childminders

11 July 2026