



23rd July 2026

Together.

Competition and Markets Authority

Victoria House
Southampton Row
London WC1B 4AD

BY EMAIL

Dear Sir/Madam,

Response from *Together.* to the CMA Call for Evidence on the Nursery and Childcare Market

Thank you for the opportunity to contribute to this important study. We welcome the CMA's decision to examine the childcare market. However, we believe that unless the study considers the wider funding system alongside charges made to parents, it will fail to identify the true causes of rising costs and diminishing provision.

Together. are a Scottish Membership organisation who represent owners and directors of over 150 Scottish Private, Voluntary and Independent (PVI) nursery providers. Although your review is not aimed at the Scottish Market, your results will impact upon our sector due to your UK wide influence, as such, you need to be aware of what's happening in the Scottish Early Learning & Childcare Market and consider our input ahead of concluding your review and reaching your conclusions and recommendations.

Our responses to the 4 questions posed are outlined below.

1. The scope of the study should remain wide

We strongly support a broad market study that examines not only fees charged by providers but also the adequacy of government funding and the role played by local authorities in distributing that funding.

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Examining nursery fees without examining the funded hourly rate that makes those fees necessary risks reaching the wrong conclusions. Parents rightly want affordable childcare, but providers cannot charge less than the cost of delivering safe, high-quality early learning and childcare (ELC). Where government funding falls below that cost, providers are forced to bridge the gap through charges for unfunded hours, optional services, or by reducing investment elsewhere.

In Scotland, 32 Local Authorities administer funded ELC on behalf of the Scottish Government. This method we believe is inefficient, ineffective, costly to administer and prevents funds from reaching the child's provision. With providers in Scotland having to navigate 32 different funding models, procurement routes and funding rates. The only consistency we have is the lack of consistency in Scotland. At **Together.**, our own figures clearly demonstrate this.

Our average cost of delivering one funded childcare hour is **£8.40 per hour¹**, while the funding we receive is only **£7.36 per hour²**, leaving a shortfall of **£1.04ph** for every funded hour delivered. Over the 1140hrs we are funded in Scotland this leaves us £1,185.60 short per funded child. This picture is replicated all over Scotland and is a function of PVI providers being funded at rates that do not meet costs.

This is not the result of inefficiency or excessive pricing. It is the direct consequence of a funding system that does not meet the actual cost of provision.

We also believe the conduct of local authorities must form part of the study. Funding is administered differently across Scotland, with varying conditions, administrative requirements and restrictions attached. These differences directly affect providers' financial sustainability and the availability of childcare places for families.

Without considering funding adequacy and local authority practices, the study will identify symptoms rather than causes and ultimately fail the parents it is intended to protect.

¹ The hourly cost at Almond Park Nursery in Musselburgh is £8.40ph – April 2026

² East Lothian Council fund 3-5 year old funding at £7.36ph – April 2026

2. A full Market Investigation Reference is warranted

In our view, the problems within the childcare market are structural rather than cosmetic.

The financial pressures facing providers are not isolated or temporary. They arise from long-standing features of the market that individual businesses cannot influence, including inadequate public funding, increasing employment costs, rising regulatory requirements, workforce shortages and unequal bargaining power between providers and local authorities.

These issues distort competition across the market. Providers are increasingly forced to make commercial decisions based not on parental demand or educational quality but on financial survival.

We have seen providers reduce capacity, limit funded places, postpone investment, struggle to recruit and retain qualified staff, and in many cases leave the sector altogether. These are not isolated examples but signs of a market under sustained structural pressure.

Given the scale and persistence of these issues, we believe there is sufficient evidence to justify a full Market Investigation Reference so that the underlying causes can be examined in detail and appropriate remedies considered.

3. Our evidence³

Our experience demonstrates the financial imbalance that many independent providers face.

- Our funded hourly rate is **£7.36ph for 3-5's** .
- Our actual hourly cost of delivering funded childcare is **£8.40ph**.
- This creates a funding shortfall of **£1.04p** per funded hour.

A recent NDNA survey into Edinburgh Council indicated that City of Edinburgh Council retains around **£2,000 per child⁴** to cover central services

³ Given there are 32 local authorities that set 32 different funding rates, our evidence is based on our Chair's Nursery and their Local Authority area – East Lothian to demonstrate our point of inadequate funding

⁴ June 2025

and 'common provision', like access to training, which many PVI cannot adequately access. Freeing this top slice up could add up to £1.75p per hour to the funded rate, allowing PVI providers to deliver their own training, CPD and other quality aspects of the provision to suit their operational requirements.

These current funding arrangements leave little flexibility to respond to increasing operating costs.

Scottish Local Authorities hold the purse strings, commission services from their own nurseries along with the PVI, and are the arbiters of quality, determining who gets funding and who does not.

Authority Nurseries pay their staff at least **30% more⁵**, than funded PVI nurseries, who are limited to funding that is tied to Real Living Wage rates (currently £13.45 per hour⁶). The PVI funding rate ignores the on costs of employment (Employees National Insurance and Pensions), whilst the Authorities have these funded. The pay differentials alone show that Authorities are paying themselves significantly more per hour of funded provision than they are making available to their PVI partners, for ostensibly the same service.

As a result, members we have had to make difficult decisions, including:

- **Service, room or provision closures or reductions**
- **Investment postponed or cancelled**
- **Costs absorbed impacting financial sustainability of providers.**

These decisions are being driven by financial necessity rather than educational or quality priorities. They inevitably affect the services available, the flexibility that can be provided to families and reduces resilience within the sector.

As Scotland is on the verge of expanding funded ELC to the under 3's following May's election, it is imperative that the mistakes, and anomalies of the over 3's expansion are not repeated as funded is extended to the under 3's. Repeating these errors in our view would only exacerbate an already

⁵ COSLA conduct pay bargaining on behalf of Local Authority staff and set national pay rates which are adopted by the 32 Local Authorities in Scotland

⁶ Real Living Wage commitment is a requirement of the 1140 hours Scottish Government expansion blueprint from 2020

fragile system. As such we believe the CMA should look at funding practices for both the under 3's and the over 3's too.

4. The study must hear from small independent providers

Finally, we strongly urge the CMA to ensure that its evidence is not drawn primarily from the largest nursery groups.

The childcare market in Scotland is overwhelmingly made up of small independent family run and operated nurseries, voluntary providers and childminders. These providers operate under very different financial circumstances from large national chains. They have different cost structures, different relationships with local authorities, their communities and have far less ability to absorb sustained financial losses.

If the evidence base is dominated by the largest operators, the CMA risks describing a market that does not reflect the experience of most providers or the communities they serve.

Small independent settings are often deeply embedded within their local areas and provide flexible childcare that larger organisations cannot always replicate. Their experience is essential if the CMA is to understand how the market functions in practice.

We therefore urge the CMA to ensure that independent providers and childminders are proportionately represented throughout the evidence-gathering process and any subsequent investigation.

Conclusion

Together. welcomes the CMA's review and hopes it will examine the full economic reality of the ELC market. Sustainable, affordable, quality ELC cannot be achieved by focusing solely on fees charged to parents. It requires an honest assessment of whether public funding meets the real cost of delivery, how local authority funding practices affect providers, and how structural pressures are reshaping the market.



We appreciate the opportunity to contribute and would be pleased to provide further financial evidence or participate in any future discussions.

Yours faithfully,




Together.