



Morton Michel

SPECIALIST
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NURSERY MARKET OUTLOOK 2026

Risks, Realities and Opportunities in UK Early Years

A Morton Michel perspective
on the UK nursery sector

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COLLECTIVE



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1. About Morton Michel

Morton Michel was established in 1964 as an insurance broker arranging insurance for the then relatively new private preschool sector. Since then, Morton Michel has grown to encompass the entire early years education sector, developing a reputation for specialist products and its staff capabilities and expertise. No other insurance broker specialises in the entire early years education sector, and Morton Michel immerses themselves - through product offering, event attendance, sponsorships, partnerships and engagement with key sector stakeholders - across the full breadth of the sector.

Morton Michel's role today goes well beyond placing insurance. The team works day to day with nurseries and wider early years providers on risk management, health and safety, HR, safeguarding and regulatory issues. That proximity to settings - from single site owners to large national groups - means Morton Michel sees both the pressures and the possibilities first hand: where occupancy and funding are under strain, where staffing is a constant worry, and where high quality operators are still finding ways to grow.

Morton Michel is in a unique position to bring together data, claims experience and lived reality from across the UK early years sector. This Outlook paper draws on that vantage point to offer a grounded view of the risks, realities and opportunities facing nurseries as they look ahead to the rest of 2026 and beyond.

2. Executive Summary

Over the past few years, the UK nursery and early years sector has had to navigate a combination of rising costs, workforce shortages, policy change and shifting parent expectations. At the same time, demand for high-quality childcare remains fundamental to how families live and work - and to how local economies function.

This Outlook gives nursery leaders a clear view of current market realities and emerging risks so they can make more informed decisions about their settings or groups in the 2026/2027 academic year and beyond. It highlights how the shape of the market has evolved since Covid, where operators are feeling most pressure, and how risk factors - from staffing and safeguarding to cyber, governance and reputation - are driving changes.

The aim is not to predict the future with certainty, but to set out the key forces shaping it, and to give nursery leaders, investors and partners a clearer framework for thinking about risk and opportunity.

Key messages

- **The sector is under intense pressure but will always be fundamental.** Early years is attracting more media coverage than ever before, but many providers describe day-to-day reality as fragile: funding gaps, staff shortages and regulatory scrutiny sit alongside deep commitment to children and families.
- **Workforce and funding are still the critical issues.** Pay pressures, recruitment and retention challenges, and uneven local funding continue to drive cost and capacity issues. Some operators are absorbing costs to support families, creating emotionally rewarding but financially stretched models.
- **Regulatory and safeguarding expectations are rising fast.** Ofsted activity has increased, safeguarding reforms are tightening, and there is growing focus on digital/online safety. Chains face more group-level oversight.
- **Consolidation is accelerating.** Groups, investors and franchise models are reshaping the market. Single site businesses remain the most common business model, for now, but group or chain operated sites account for the majority of settings. Mid-sized groups are generally growing while large groups continue to strengthen.
- **Estimated Revenue increasing, as are outgoings.** Funding rates, arguably still insufficient, are driving the increase in estimated revenue. This is mitigated by policies and economic environment costs that keep the profit margins narrow.

What this means for nursery leaders

For nursery leaders, the message is not that the outlook is uniformly bleak. Many operators are still finding ways to grow, innovate and improve quality. But it does mean:

- **There is little margin for error.** Staffing gaps, regulatory findings or cyber incidents can have drastic impact on finances and reputation when operating conditions are already tight.

- **Risk management is becoming more multi-dimensional.** Traditional premises and liability risks remain, but digital safeguarding, workforce wellbeing, governance and parent expectations increasingly influence both day-to-day operations and long-term sustainability.
- **Insurance programmes may need to evolve in line with changing risk.** In some cases, cover limited to core property and liability can leave important exposures unaddressed..

This Outlook is intended to help nursery leaders step back from immediate pressures, see the broader patterns, and use that perspective to have more informed conversations with their teams, advisors and risk partners.

3. Introduction & Scope

This Outlook brings together sector data, conversations with nursery leaders and Morton Michel's own experience as a specialist risk partner. It is designed to help readers step back from day to day pressures, see how the market is evolving, where risk is changing, and what that might mean for the future of their setting or group

It brings together insights from:

- External data on settings, places, funding and participation
- Conversations with nursery owners, managers, investors and advisers
- Morton Michel's own experience as a specialist insurer and risk partner

It aims not to advise or try to tell operators what they should do. Instead, it offers structured insight and questions to support local decision-making.

Definitions and Scope

For the purposes of this Outlook:

- **“Nursery”** refers mainly to registered day nurseries and pre-schools, whether privately owned, voluntary, community-run or part of a wider group.
- **“Group” or “chain”** refers to operators running more than one registered setting under common ownership or control.
- **“Out-of-school”** refers to breakfast, after-school and holiday provision linked to school-age children.
- **“Early years”** is used in a broader sense to include nurseries, pre-schools, childminders and out-of-school provision where relevant.

The geographic focus is the UK, with most analysis centred around data for England. Where data or regulation varies between England, Scotland, Wales and Northern Ireland, we highlight national differences rather than assuming a single UK-wide picture.

Structure

The paper is organised in three broad sections:

1. **Context** - the current market landscape, political and regulatory backdrop, and operating realities in areas such as staffing, quality and safety.
2. **Outlook** - short- and medium-term scenarios for the sector, including ownership and investment trends.
3. **Risk & insurance** - how the risk profile of nurseries is evolving, what that means for insurance and risk management, and what Morton Michel's experience tells us.

Each section draws on a mix of quantitative data, qualitative insight and anonymised claims/risk themes. Charts and headline statistics are included where they add clarity. Forward-looking sections are based on plausible scenarios, not forecasts, and should be read as informed commentary rather than prediction.

Throughout, we avoid individual case studies that might identify specific settings and carry sensitive information. Where we use quotes or examples from interviews, they are anonymised and used to illustrate themes rather than to attribute views to particular organisations. We reference all data and sources in the appendix.

4. Methodology & Data Sources

This Outlook uses a mixed-methods approach. The intention is to combine sector data with on-the-ground experience:

- **Quantitative data** gives us a view of market size, shape and trends - how many settings there are, how expected revenue and outgoings are increasing, and acquisition activity.
- **Qualitative insight** from our expert partners within PiB group, owners, managers, Nursery decision makers and specialist insurance advisers help us understand why things are happening and how leaders are responding.
- **Morton Michel experience** - through staff insights, event attendance and networking, provides a risk-focused lens on the sector.

Taken together, these sources give a more rounded picture than any one dataset or perspective alone.

Secondary sources include data from Ofsted and other national regulators on registrations, inspection outcomes and capacity. In addition, government publications on early years and wider policy affecting childcare; and selected industry reports from sector bodies on sector activity.

Morton Michel's approach to Ofsted data analysis

Analysis of publicly available Ofsted management data has been the foundation for much of this report. The unique reference number has been used to identify individual businesses and their settings. Estimated revenue has been calculated using the average cost for full time childcare based on funding rates and reported totals from online sources.

Limitations

The analysed data provides an average representation and does not accommodate regional differences. It does not differentiate between younger and older children nor considers any additional revenue streams other than the funded childcare entitlement. Finally, the calculations use an average occupancy rate. These variables all contribute to degrees of error within the data.

The Outlook reflects the data and insight available at the time of writing. Some datasets are dated at the time of publishing; interview perspectives are subjective and conditions in the sector can change quickly in response to policy and economic developments. Any forward-looking views in this paper are based on current information and assumptions so may change. They are not forecasts or guarantees of future performance or outcomes.

5. The Current Nursery and Early Years Landscape

Analysis of the size and structure of the 2026 Nursery sector. Exploring the influences that have shaped the sector over recent years.

Market size and structure

Analysis of Ofsted's 'Childcare providers and inspections: management information' identified roughly 18,367 settings and 13,116 businesses operating non-domestic daycare in England. Of these, 11,333 settings and 7,464 businesses fall into Morton Michel's internal risk categorisation of a Nursery. This categorisation is influenced by the capacity of the setting and the estimated revenue at that setting.

From the 7,464 nursery businesses operating in 11,333 sites, single-site providers (~54%, 6,151 sites) still dominate multi-site operators (46%). These multi-site operators account for two and three site local groups to a relatively large number of portfolios.

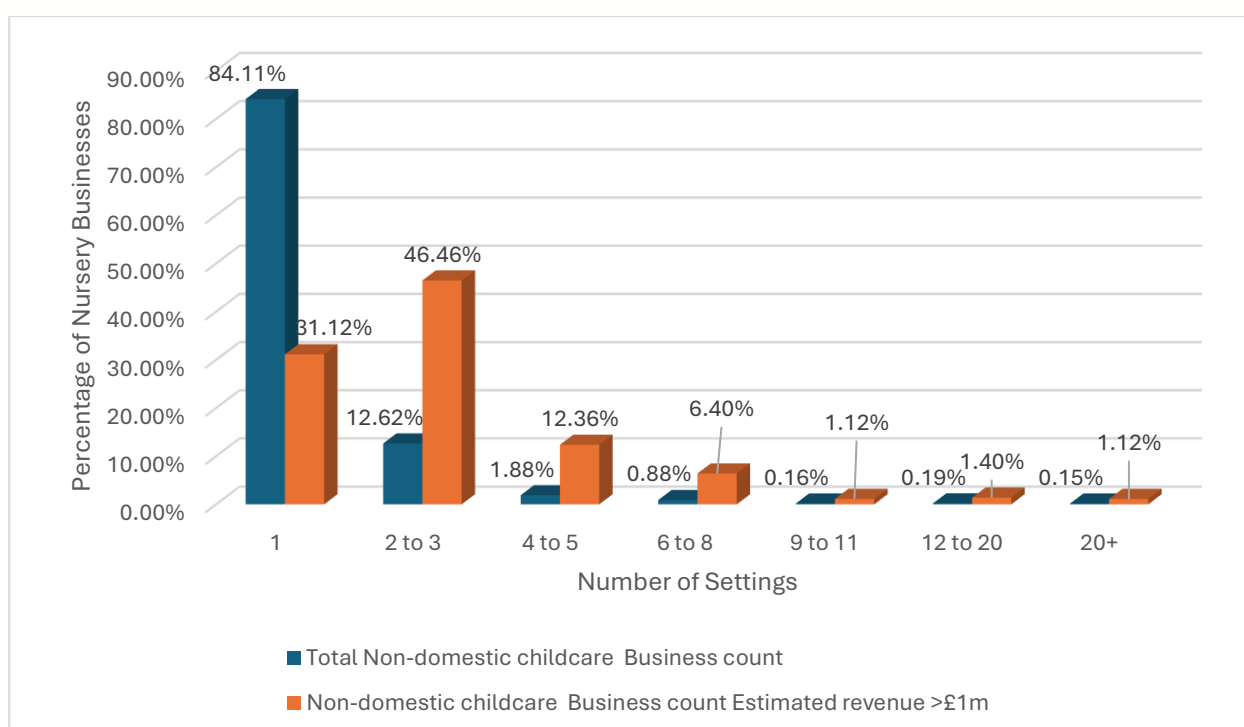


Figure 1: The proportion of Total non-domestic childcare businesses and the number of settings they run compared to the proportion of non-domestic childcare businesses with estimate revenue over £1m and the number of settings run as of June 2026.

Examining further, the data suggests 1,714 businesses generate an estimated revenue of over £1M. This represents over half of the nursery sector revenue (56%) despite representing both, a small share of the of nursery businesses (23%) and nursery sites (32%).

Over the last year, the £1m+ estimated revenue segment is growing faster than the Nursery sector as a whole. From June 2025 to June 2026, £1m+ estimated revenue businesses showed an increase of 2.8% of business count, double the 1.4% generated by all Nursery businesses. We see a similar pattern for these ~£1m+ businesses compared to overall nursery businesses for settings (2.71% vs 1.7%) and childcare places (4% vs 2%)

Larger groups continue to expand, often through a combination of acquisitions, new builds and franchising, while many single-site providers remain deeply rooted in their local communities but more exposed to short-term shocks. The revenue distribution reinforces this pattern. In 2026, around 77% of

businesses still sit below £1m annual revenue, but that is down sharply from 94% in 2022. Over the same period, the number of businesses above £1m grew from around 576 to 1,714, taking their share of the market from about 6% to 23%. In other words, there are fewer very small entities, and more operators in the £500k-£1m and £1m+ brackets.

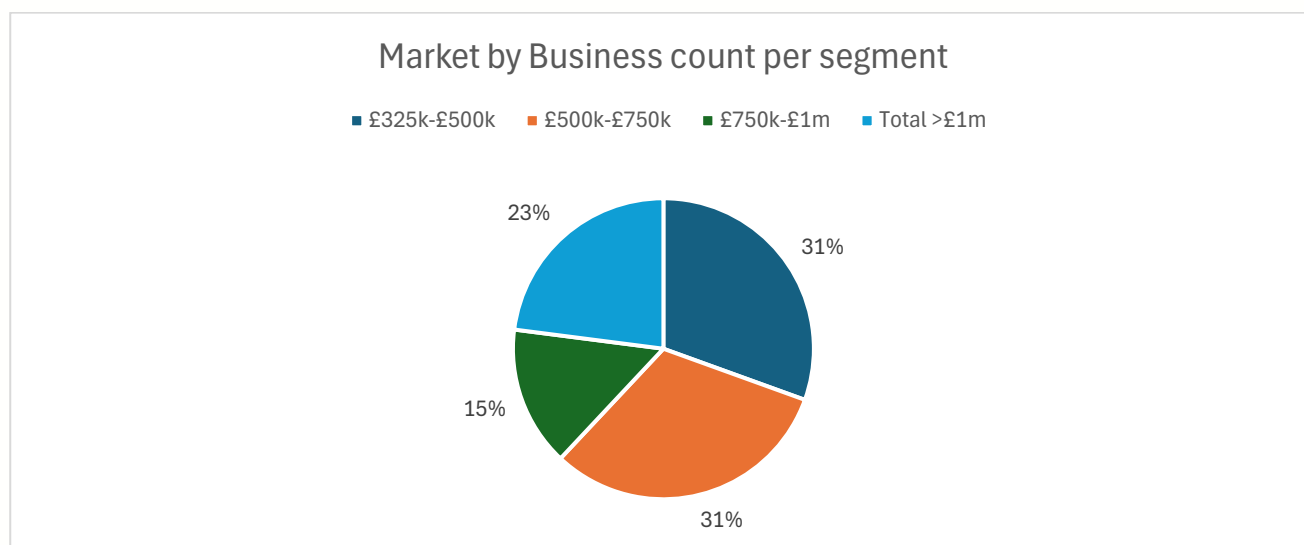


Figure 2: Estimated proportion of businesses categorised by estimated revenue. Only includes estimated revenue about £325,000, Morton Michel's previous cut off for Nursery and Pre-school policies.

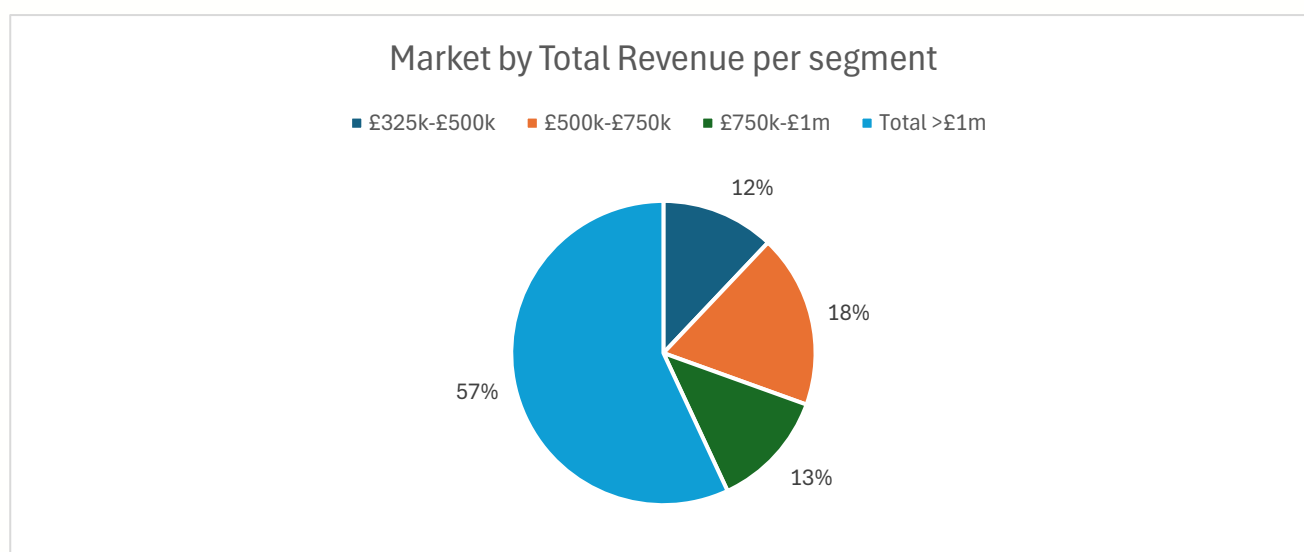


Figure 3: Estimated sum of total revenue by revenue band. Only includes estimated revenue about £325,000, Morton Michel's previous cut off for Nursery and Pre-school policies.

Investment, M&A and ownership trends

Between 2022 and 2026, the number of businesses with revenue under £500k fell from 7,947 to 2,278 - a reduction of over 5,600. Over the same period, the £500k-£1m band more than doubled (from 1,582 to 3,472 businesses), and the over-£1m segment roughly tripled from around 576 to 1,714 businesses. These changes reflect a mix of closures, consolidation and growth, and help explain why investors are increasingly focused on a relatively small but growing cohort of mid- to large-scale operators.

Morton Michel's partner's at PiB Group suggest that investor interest in childcare and education remains, driven by long-term demand fundamentals and the role of early years in labour-market participation.

This insight is supported by sector reports from, among others, Christie & Co.

Larger multi-site groups are pursuing growth through a combination of organic expansion and the acquisition of established, highly profitable operators. As a result, acquisitions are becoming more selective. Nurseries sold into groups over the past year have typically been higher-capacity settings, indicating that buyers are increasingly targeting larger, more robust operations.

Medium-sized groups have continued to consolidate within their existing geographies. Many operators with five to eight settings have grown into groups of eleven or more, particularly over the last 12-18 months, and there has been a notable increase in the number of medium-chain acquisitions. At the same time, smaller group operators are strengthening and professionalising their management structures so they can move from three to five settings, and then on to ten or more. There remains a significant cohort of groups with two or three nurseries, representing a pool of potential future consolidators.

Taken together, these dynamics suggest that the market is increasingly polarised between larger groups with ten or more settings and very small operators. The distinct middle segment of medium-sized groups appears to be thinning out, as more of these providers either scale up into larger chains or are absorbed through acquisition.

Performance and financial health

Drawing on conversations with key sector voices and regulator data, a consistent picture emerges of a sector that is financially stretched but still broadly holding together. Occupancy has largely recovered from pandemic lows, particularly in urban and commuter locations with strong employment, but remains uneven and more volatile in areas where families are highly cost-conscious. Funding rates have risen in response to higher wages and overheads, yet often fall short of fully offsetting cost inflation, prompting some settings to adopt more creative fee structures, add-ons or term-time only models to balance affordability with viability. Staff costs now account for an even larger share of expenditure, driven by increases in the National Living Wage, ongoing recruitment challenges and higher expectations around qualifications and CPD. Margins for many providers are consequently thin, especially for smaller nurseries with limited scope to spread overheads or invest in back-office systems.

Overall, many nurseries characterise their financial position as tight but just about manageable, heavily dependent on maintaining occupancy, keeping staff turnover under control and avoiding major unplanned costs or regulatory issues.

Demand, Capacity and Inclusion

The current nursery landscape is shaped by important but often conflicting forces. Demand is being driven by parental employment patterns, cost-of-living pressures and the expansion of funded entitlements. These drivers do not all pull in the same direction. Some parents are increasing their childcare hours in order to work more, making full use of available entitlements. Others are carefully patching together support from family, school-based provision and part-time nursery places to keep overall costs manageable.

Providers report a similarly mixed picture. In some localities, nurseries are operating with waiting lists and very strong demand, particularly for places for under-twos and for specialist provision. In others, there is spare capacity, slower take-up and more price-sensitive enquiries, especially in areas where household finances are under greater strain.

Feedback from events in Q1 and Q2, 2026 suggests that inclusion and SEND are no longer seen as optional add-ons for a small number of children, but as central considerations in how capacity is

designed and deployed. At the same time, there is growing interest in franchise and partnership models as ways to expand capacity and reach without individual organisations bearing all of the capital risk centrally.

Political, policy and regulatory backdrop

Policy changes

Recent years have brought a flurry of early years policy activity. The expansion of “free” hours and associated funding reforms have increased demand and occupancy in some nurseries but has also made providers more reliant on the central funding which may not be sufficient. These changes sit alongside wider initiatives such as Best Start in Life hubs launching in September 2026, ongoing SEND reforms and targeted inclusion funding, all intended to reduce inequalities.

From the point of view of providers, the picture is more nuanced. Additional funding and entitlements are, in principle, welcome. However, analysis by the IFS indicates that real-terms funding levels remain below previous peaks. Termly funding cycles can distort cashflow and make planning harder. The complexity of the system also risks confusing parents about what the “free entitlement” actually covers, potentially creating tension between parental expectations and provider realities.

The stated government ambition is to make childcare more affordable, support parental employment and improve long-term outcomes. The early years sector is receiving more attention than ever before and the prioritisation of policies that appear to benefit nurseries over other forms of childcare appears set to continue.

Regulatory landscape

The regulatory environment is becoming more demanding and more visible. Ofsted frameworks have evolved to incorporate new report cards, as well as planning calls and nominated inspection leads. These changes are designed to support greater clarity and collaboration, but many private, voluntary and independent providers that Morton Michel has heard from continue to observe discrepancies between the proposed outcomes and the practical realities.

Regulatory events and enforcement have increased, with Ofsted taking more action where shortcomings are identified, particularly around safeguarding and welfare. Safeguarding reforms now encompass new training packages, tougher expectations around documentation, and clearer guidance on safer sleep, whistleblowing and incident escalation.

For larger groups, planned changes that give Ofsted greater scope to scrutinise group-level governance and risk management mark a shift away from a purely setting-by-setting approach towards a more corporate, system-wide view of accountability.

Political outlook

Although political control may change over time, several themes are likely to persist across different administrations. Affordability and workforce will remain at the centre of early years policy debates. Public and media scrutiny of safeguarding and quality is expected to continue, particularly in the wake of high-profile cases and rising parental expectations. At the same time, tight fiscal conditions will limit the scope for dramatic funding uplifts, placing sustained pressure on nurseries to deliver more with limited resources.

For providers, this combination points to continued uncertainty. Expectations may rise faster than resources, and policy adjustments can have uneven impacts depending on local funding rates,

demographics and workforce availability.

Policy changes and risk implications

These policy and regulatory shifts carry clear implications for risk and insurance. Funding changes can increase business-interruption risk where settings become more dependent on a single funding mechanism or feel compelled to stretch staffing and ratios in order to remain viable. Stronger safeguarding and regulatory expectations raise the stakes around professional liability, management liability and legal expenses, particularly where allegations concern senior staff or indicate systemic failings.

At the same time, developments in digital and cyber policies - including guidance on AI-manipulated images and tightening data protection expectations - mean that breaches now carry both regulatory and reputational consequences. Against this backdrop, providers may need to reconsider whether their existing covers remain appropriate to a changing risk environment.

6. Looking Ahead: Market Outlook and Scenarios

Bringing together the analysis to provide an overview of potential future scenarios for the Nursery sector in both the short and medium to long term.

Drivers and assumptions

Any outlook for the next few years must reflect known sector drivers. The broader economic context - including inflation, wage growth, and overall household budgets - will influence both providers' cost bases and parents' ability to pay. Public finances, local authority funding capacity and competing priorities, together with national fiscal policy, will influence real-terms funding rates.

Demography and working patterns are equally important. Birth rates, migration and patterns around hybrid work will determine the level and nature of demand for different types of provision. Policy direction will continue to redefine the operating environment for nurseries, particularly around SEND requirements. Meanwhile, the adoption of technology and digital practice, for instance any adoption of AI tools, is set to alter workflows, business models and risk profiles.

The scenarios outlined here assume no dramatic policy reversal, but rather continued incremental change.

Short-term outlook (next 12-24 months)

Operating conditions for many nurseries are likely to remain tight. Margins are expected to stay under pressure, particularly for smaller providers and those that are heavily reliant on funded hours. Workforce challenges will persist, with hope for some gradual improvements where targeted funding and local initiatives begin to take effect, but no rapid, system-wide resolution.

Consolidation is likely to accelerate. Larger groups will continue to pursue growth through acquisition and franchising. At the same time, some single setting owners are capitalising on the market conditions, whereas others are exploring exit options, driven by fatigue, retirement plans or financial pressure. Medium sized groups may look to take advantage of this scenario and will continue to look to grow.

Expectations around safeguarding and organisational culture, including digital safeguarding, are rising, as are expectations for governance and documentation, particularly in group structures. Environmental and sustainability practices are also beginning to feature more prominently, even if many settings are still at relatively early stages in this process.

The short-term picture is therefore one of constrained resources and high expectations, but with pockets of opportunity - notably in areas of under-supply, in specialist provision and where high-quality inclusive practice is clearly demonstrated. Although some investors are becoming more cautious considering financial uncertainties and increased regulatory demands.

Medium to long term outlook (3-5+ years)

Looking further ahead, the sector is possibly going to become more polarised. On one side, there is a core of well-established groups with strong reputations, robust systems and the capacity to invest in people, technology and quality improvement. On the other, there is a tail of more vulnerable providers that struggle to keep pace with funding pressures, compliance demands and digital change.

The role of school-based nurseries and not-for-profit organisations may expand in some areas, particularly where government policy favours school-based nursery provision or integrated family hubs. Technology adoption is expected to become more embedded, with management information systems

and AI-supported tools increasingly commonplace. These tools promise efficiency gains but also introduce new cyber and data-governance risks that require active management.

Climate and ESG considerations could become more explicit in procurement decisions, investment criteria and parental expectations. Although this shift is starting from a low base in many parts of the sector. Throughout, policy and funding changes will remain key uncertainties. Nonetheless, the shifts towards greater professionalism, transparency and an expectation of stronger evidence - not only in relation to educational quality and outcomes, but also to governance and risk management – appear set to continue.

Key uncertainties

The sector should monitor:

- Real terms funding: how funding rates move in comparison with wages and other operating costs.
- Ofsted and regulation: the balance between support and enforcement, and the practical impact of greater group level oversight for chains.
- Cyber and digital rules: evolving expectations around data protection, AI use, image sharing and incident reporting.
- Climate and ESG: the speed at which climate action plans, reporting and parental expectations turn into concrete requirements for nurseries.
- Investor sentiment and exits: whether valuations and deal volumes remain resilient in a more volatile macroeconomic environment.

7. Risk and Insurance: Protecting Nurseries Through Change

A deeper look at the risk implications of the circumstances and scenarios discussed in the previous sections.

Risk profile of the current market

Morton Michel's experience and knowledge of the sector suggest that staffing, safeguarding, funding and governance remain the dominant risks. At the same time, cyber and data-related incidents are becoming more visible, adding a new layer of exposure.

The current operating environment influences risk in several interconnected ways. Operationally, workforce instability, greater reliance on apprentices and agency staff, and stretched leadership capacity can increase the likelihood of errors, near-misses or more serious incidents. Regulatory risk has risen as Ofsted undertakes more inspections, applies more detailed frameworks such as report cards and, for larger chains, places greater emphasis on group-level scrutiny. Financial risk is also increasing as thin margins make settings more vulnerable to shocks such as unexpected repairs, legal disputes or extended closures.

Reputational risk has intensified too. Social media, online reviews and rapid information sharing mean concerns about quality, safeguarding or organisational culture can spread quickly, often before a full picture has emerged.

The evolving risk landscape

Pressures around funding, workforce, regulation and reputation are reshaping the risk profile of the sector. Risks are becoming more interconnected; for example, a cyber incident can rapidly trigger safeguarding concerns, regulatory investigation and reputational fallout. The line between operational and governance risk is blurring as more accountability for culture, systems and oversight is expected. External stakeholders increasingly expect fast, transparent and well-evidenced responses when something goes wrong.

Insurance cannot remove these risks, but it plays a critical role in supporting resilience. It can provide financial protection when incidents occur, offer access to specialist support such as legal advice or reputational management, and encourage stronger risk management practices through engagement and specialist guidance.

Core insurance needs in the current market

For most nurseries, a robust insurance programme draws together several core elements. Property and business interruption cover remains essential, protecting buildings, contents and play equipment, and providing compensation for loss of income following insured damage. Clarity around indemnity periods and limits is crucial to ensure that cover aligns with realistic recovery times, rather than simply the minimum required.

Public and employers' liability cover provides the foundation for protection against injury to children, parents, visitors and staff. It must properly reflect the specific risks of the nursery environment and the activities undertaken. Alongside this, professional indemnity or malpractice cover responds to allegations relating to professional advice, educational provision, or negligence in developmental support.

Management liability helps protect individuals and sometimes the entity itself against claims and investigations linked to management decisions. This is particularly relevant where safeguarding, regulatory or funding issues prompt questions about leadership actions. Within this, abuse cover is a critical component of liability and management programmes, given the potentially severe consequences of allegations.

Employment practices liability addresses disputes around recruitment, dismissal, discrimination, whistleblowing and the handling of safeguarding concerns involving staff. Cyber and data-protection insurance is increasingly important, covering data breaches, ransomware, business email compromise and similar incidents, while often providing access to incident-response services, IT forensics, legal advice and PR support. Crime or fidelity cover offers protection against theft or fraud by employees or third parties, including the misuse of funds.

Single-site providers may obtain many of these protections within package products. Larger groups, by contrast, typically require more bespoke programmes with higher limits, tailored wordings and additional services to reflect their complexity and scale.

The scope of cover, limits and exclusions will vary between insurers and policies. Nurseries should review their own arrangements and discuss their specific needs with an appropriately regulated adviser.

Insights from Morton Michel's experience

From Morton Michel's perspective as a specialist broker, well-run settings and groups increasingly view insurance as one part of a broader risk-management approach. However, gaps can open up, particularly when settings grow quickly without revisiting their insurance arrangements, when emerging risks such as cyber are not fully understood, or when governance roles and responsibilities are unclear or poorly documented.

In the context of transactions, buyers scrutinise whether a business has effectively "grown into" its insurance programme as it has expanded. A portfolio that carries robust abuse cover, directors & officers, professional indemnity, cyber and crime insurance, is significantly more attractive than one that relies solely on basic covers.

The same logic applies to operators with no immediate plans to sell. Strong risk and insurance arrangements support resilience, protect stakeholders and preserve options, regardless of the future path.

Future-facing risks and protection themes

Looking ahead, several emerging risk areas are becoming more prominent. Digital and AI-related risks are growing as nurseries adopt AI tools. These developments raise questions about data protection, the accuracy of outputs and the potential for inappropriate or biased content. At the same time, digital image misuse and deepfakes are adding new complexity to consent, storage, and safeguarding policies.

Climate and environmental risks are also rising. Extreme weather, high temperatures and flooding can affect premises, disrupt operations and impact children's health. Climate action plans introduce new responsibilities and expectations but may, over time, also create opportunities to reduce certain physical risks through better design and adaptation.

Staff wellbeing and mental health are another important theme. Sustained pressure on staff can increase the risk of burnout, mistakes and turnover. These all have implications for safety, quality of care and organisational culture. Leaders and parents are beginning to pay closer attention to how nurseries treat staff, engage with their communities and manage culture, adding an additional lens to risk assessment.

Insurance products and risk-management services are evolving to address these areas, but they sit on top of, rather than replace, the need for strong day-to-day practice, leadership and culture.

Morton Michel's role as a long-term risk partner

Morton Michel's ambition is to act as a long-term risk and insight partner for the sector. This includes offering sector-specific insight and providing risk-management support, training and practical tools.

The business also works with nurseries, groups and their professional advisers to structure insurance programmes that are appropriate, scalable and aligned to each organisation's size, complexity and ambitions. The overarching goal is to help settings navigate change with confidence, protecting children, staff and businesses as the sector continues to evolve.

Implications for nursery groups and multi-site operators

For groups and multi-site operators, several distinctive challenges arise. They must balance strong central governance with local autonomy and culture while they integrate new acquisitions and maintain consistent safeguarding, HR and quality standards. They also need to demonstrate robust group-level oversight to regulators, investors and parents.

At the same time, there are clear opportunities. Larger operators can achieve economies of scale in systems, training and specialist support. Their scale also puts them in a stronger position to invest in innovation, including digital tools and climate-related initiatives.

From a risk and insurance perspective, group programmes need to reflect this complexity. Many operators benefit from layered arrangements across property, liability, management liability, cyber and crime, rather than simple, uniform limits. For these organisations, covers such as abuse, directors' and officers' liability, professional indemnity and cyber are often considered important elements of the overall programme, subject to each organisation's specific needs and budget.

Preparing for due diligence is another important consideration, regardless of whether a sale is actively planned. Maintaining clear documentation of policies, risk-management frameworks, safeguarding audits and incident responses not only supports smoother transactions when they arise, but also underpins everyday governance and strengthens resilience across the group. Decisions about insurance limits and additional covers should balance risk, value and affordability for each setting or group.

8. Conclusion

Summary of key insights

This paper has highlighted that:

- The need for high-quality early years provision is unquestioned, but the operating environment is demanding.
- Workforce, funding and regulation remain the core structural pressures, with risk increasingly shaped by digital practice, inclusion and ESG.
- The sector is moving towards greater professionalism and transparency, but from an uneven starting point.
- Consolidation and investment are reshaping ownership patterns, bringing both opportunities and new expectations around governance and risk.
- Insurance and risk-management programmes need to keep pace with these changes, particularly for those growing, franchising or considering sale.

This Outlook is for general information only and reflects our understanding of the sector at the time of writing. It does not constitute advice, a personal recommendation or an offer to arrange or provide insurance or any other financial product. It does not take account of the circumstances of any individual nursery or group. Any forward-looking statements are based on current information and assumptions and may change. Before making any decisions about insurance or risk management, you should consider your own circumstances and, where appropriate, obtain regulated advice and review the relevant policy documents, including terms, conditions and exclusions.

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9. Appendix

1. Christie & Co, Day Nurseries market review 2026, August 2026 <https://www.christie.com/news-resources/insights/understanding-the-uk-day-nurseries-market/>
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