

What price is free?

Evolution of nursery prices in England in the wake
of 2024 childcare reform

IPR Report

Dr Joanna Clifton-Sprigg, Professor Kerry Papps and Ms Sara Linjawi

September 2025



Research
England

IPR Institute for
Policy Research

Connect with us



Email us

ipr@bath.ac.uk



Find us online

www.bath.ac.uk/ipr



Read our blog

blogs.bath.ac.uk/iprblog



Follow us on Bluesky

[@UniofBathIPR.bsky.social](https://bsky.app/profile/UniofBathIPR.bsky.social)



Follow us on LinkedIn

[linkedin.com/school/bath-ac-uk-ipr](https://www.linkedin.com/school/bath-ac-uk-ipr)



Join our mailing list

bit.ly/IPR_newsletter

The authors

Dr Joanna Clifton-Sprigg

Department of Economics, University of Bath
j.m.clifton-sprigg@bath.ac.uk

Professor Kerry Papps

School of Management, University of Bradford
k.l.papps@bradford.ac.uk

Ms Sara Linjawi

Department of Economics, University of Bath
sl466@bath.ac.uk

Acknowledgements

Dr Clifton-Sprigg received funding for this project from Research England Policy Support Fund Grant (ref. RE-P-2024-01). We would like to thank our project partners, Working Families, for their feedback and input on the experiences of the early years sector.

Contents

- Summary..... 1**
- The policy challenge..... 4**
 - The policy context..... 4
 - Government priorities 5
 - Concerns and challenges within the sector..... 6
 - Expected effects 6
- Findings 9**
 - Hourly fees in the chain over time..... 9
 - Funding-to-price ratios..... 10
 - Comparison with other day nurseries..... 13
 - Comparison with providers in the 2024 Childcare and Early Years Provider Survey 13
 - Comparison with 'like-for-like' neighbours 14
 - How do prices vary across different types of nurseries? 15
 - Fees 15
 - Funding-to-price ratios 17
- Conclusion..... 19**
 - Avenues for further research..... 19
- Data sources..... 21**

Figures

Figure 1. Policy developments	5
Figure 2. Hourly fees by age group in March 2024 and March 2025	9
Figure 3. Average hourly fees by age group over time	10
Figure 4. Funding-to-price ratio by age group (April 2024 vs March 2025)	11
Figure 5. Funding-to-price ratio by region and age group	12
Figure 6. Funding-to-price ratio by local authority deprivation and age group	12
Figure 7. Average fees within the chain and private group-based providers within SCEYP (May and June 2024) ...	13
Figure 8. Price distribution in the studied chain and neighbouring day nurseries (Mar 2025)	14
Figure 9. Regional variation of average hourly fees in the studied chain and neighbouring day nurseries	15
Figure 10. Average hourly fees charged by 'neighbours' by type and age group	16
Figure 11. Regional variation in the average hourly fees charged by 'neighbours' by age group.....	16
Figure 12. Hourly fees by age and deprivation quartile of the local authority where provider is located.....	17
Figure 13. Funding-to-price ratio by neighbour type and age group	17

1

Summary

Summary

A major expansion of free childcare entitlement in England is currently underway.¹ The policy presents a great opportunity to address many of the challenges faced by working families. It has significantly expanded the number of parents who are eligible to receive childcare, as well as the number of free hours they are able to receive per week. As a result, it has the potential to make childcare more accessible and affordable.

However, this policy is likely to significantly increase demand for nursery places and, through increased competition, to drive up the prices charged for unfunded hours of childcare. Consequently, there is a risk that the overall cost parents face may fall by less than the policy promises. Furthermore, these unintended outcomes may be unevenly spread across the country, with potentially starker effects in the so-called childcare deserts – areas where there are three or more children per available childcare place.

In this report we draw on monthly data from a single nursery chain operating in the UK to provide up-to-date statistics on prices among the private nursery providers and show how these have changed over the first two phases of the reform, which took effect in April 2024 and September 2024. We also compare how these prices measure up against prices reported by the providers in the 2024 Childcare and Early Years Provider Survey,² as well as those charged by selected other providers in the areas neighbouring the chosen chain.

This report lays foundations for future work that will establish the causal links between the expansion of free childcare provision and childcare prices in England and across its regions, accounting for differences due to factors affecting supply of and demand for childcare and socioeconomic characteristics.

We find that:

1. Average hourly fees increased between March 2024 and March 2025, and significantly more so among the half of nurseries with the lowest government funding compared to the best-funded half. This suggests that nurseries pass on some of the costs associated with the policy to parents.
2. The ratio of hourly funding provided by the government to hourly fees charged by nurseries varies by age groups, regions of England and the level of deprivation. Overall and across most regions of England, funding rates

¹ The latest information on the government's expansion of free childcare is available here: <https://www.childcarechoices.gov.uk/>

² Department for Education (2024). Childcare and Early Years Provider Survey 2024. Available at: <https://explore-education-statistics.service.gov.uk/find-statistics/childcare-and-early-years-provider-survey/2024>

for under two-year-olds and two-year-olds are higher than mean hourly fees, whilst funding rates for three- and four-year-olds are lower than mean hourly fees.

- 3.** Childcare provision for three- and four-year-olds appears to be underfunded, which explains why nurseries have in the past relied on a business model whereby older children were cross-subsidised from younger age groups.
- 4.** The prices in the selected chain are broadly on par with those reported in the 2024 Childcare and Early Years Provider Survey as well as in a dataset of other providers that we assembled. Compared with the survey data, prices in the chain are two to five per cent lower than the sector average, although they are closer to the prices charged by providers in the local area. It is possible that the chain exploits economies of scale to offer lower prices and, therefore, their prices provide a lower bound on the changes observed in the sector.
- 5.** Analysing prices from a selection of all types of childcare providers, we observe that hourly fees at day nurseries and preschools are comparable across age groups and similar regional variation in fees is observed for all types of childcare providers. The funding-to-price ratio is similar across different age groups. However, for three- and four-year-olds, the ratio is lowest among day nurseries.

2

The policy challenge

The policy challenge

High-quality early childhood education yields long-term educational and economic benefits through investment in children's cognitive and non-cognitive skills.³ Furthermore, childcare costs negatively affect parental employment, particularly that of mothers. Families weigh the opportunity costs of foregoing work against the price of childcare. In the UK, childcare costs consume up to 30 per cent of net income for some households. Affordable and accessible childcare plays a vital role in reducing gender pay gaps by enabling greater engagement of mothers with the labour market.⁴ In turn, increased female labour force participation leads to economic growth.⁵

In cases when early years childcare is not publicly funded, it is typically consumed in larger amounts by those who can afford it – households with higher incomes and economically advantaged.⁶ Given the wide benefits of accessing early childcare, this uneven provision contributes to a socioeconomic gap between children. Therefore, free provision also has the potential of levelling out the playing field and impacting social mobility and educational outcomes.⁷ Reform is welcome but its effectiveness will depend on how well it is implemented.

The policy context

The 2024 expansion of the free childcare entitlement in England involved a phased rollout of support for working families with young children. Prior to April 2024, 30 hours of free childcare per week during term time were only available to working parents of three- and four-year-olds.⁸ This translates to about 20 hours per week when spread across 52 weeks of the year.

³ Heckman, J. J. (2011). The Economics of Inequality: The Value of Early Childhood Education. *American Educator*, 35(1), 31-35.

⁴ Bettendorf, L.J.H., Jongen, E.L.W., and Muller, P. (2015). Childcare Subsidies and Labour Supply – Evidence From a Large Dutch Reform. *Labour Economics*, 36: 112-123.

Brewer, M., Cattan, S., Crawford, C. and Rabe, B. (2022) Does More Free Childcare Help Parents Work More? *Labour Economics*, 74: 102100.

⁵ Hsieh, C.-T., Hurst, E., Jones, C. I., & Klenow, P. J. (2019). The Allocation of Talent and U.S. Economic Growth. *Econometrica*, 87(5), 1439–1474.

Ostry, M. J. D., Alvarez, J., Espinoza, M. R. A., & Papageorgiou, M. C. (2018). Economic Gains From Gender Inclusion: New Mechanisms, New Evidence. IMF Staff Discussion Note, No. 2018/006.

⁶ Farquharson, C., Olorenshaw, H. (2022). The changing Cost of Childcare. IFS Report, No. R210.

⁷ Havnes, T. and Mogstad, M. (2015) Is Universal Child Care Levelling the Playing Field? *Journal of Public Economics*, 127: 100-114.

⁸ In addition to this, two-year-olds from disadvantaged backgrounds in England were entitled to 15 hours of free childcare per week. This entitlement continues, is not dependent on parental employment and applies to all families meeting certain criteria, such as receiving income-related benefits (e.g. Universal Credit with a household income below a specified threshold), children with Education, Health and Care (EHC) plans, those in local authority care, or those with refugee or asylum status.

Starting in April 2024 (Phase 1), the entitlement extended to working parents of two-year-olds, offering 15 hours per week in term time. In September 2024 (Phase 2), this was expanded further to cover children from nine months old, again providing 15 hours weekly in term time. Finally, from September 2025 (Phase 3), eligible working parents of children aged nine months to four years will receive 30 hours of free childcare per week in term time.

To qualify, each parent (or the sole parent in a single-parent household) must earn at least the equivalent of 16 hours per week at minimum wage, but less than £100,000 annually. This phased expansion aims to reduce childcare costs and support parental employment across England and is expected to significantly increase demand for nursery places.⁹

Figure 1. Policy developments



Government priorities

Although inherited from the previous government, given its potential benefits, the expansion of free childcare entitlement in England aligns closely with the current Labour government’s priorities of both ‘Giving Every Child the Best Start in Life’ and ‘Get Britain Working’. The government has pledged to break down barriers to opportunity and with regards to young children specifically, to ensure that 75 per cent of five-year olds in England are ready to learn when they start school by 2028.¹⁰ Focusing on the working population, it also has an ambition of reaching an 80 per cent employment rate, increasing women’s labour market participation, addressing pay inequalities and ensuring women can realise their full potential and progress in the workplace, all of which will contribute positively to economic growth.

⁹ Information on the Free Childcare for Working Parents scheme is available here: <https://www.gov.uk/free-childcare-if-working/check-youre-eligible>

¹⁰ HM Government (2024). Plan for Change. Milestones for Mission-led Government. CP 1210.

Concerns and challenges within the sector

Although conceptually welcome, the reform raised concerns in the early years sector.¹¹ Previous expansion of free childcare to three- and four-year-olds has been criticised due to insufficient funding being provided to nurseries and the resultant need to cross-subsidise from younger, fee-paying cohorts to enable ‘free childcare’ for three- and four-year-olds. There have also been concerns about the risk this poses to the quality of the care provided.¹²

Upon the announcement of this reform, many childcare providers and their representatives therefore voiced concerns about increases in provider costs, particularly the cost of delivering quality childcare to more disadvantaged and vulnerable children.¹³

They have also highlighted that existing shortages in nursery provision in childcare ‘deserts’ would prevent them from offering spaces to all children entitled to the additional hours, unless the constraints were addressed. Even if additional spaces and staff were to be trained, the required time and financial investments makes the rapid expansion in provision challenging.¹⁴ The feasibility of the plan was further questioned given the high staff turnover in this relatively low-paying sector and the variation in the level of funding being passed by local authorities to childcare providers.¹⁵

Expected effects

The reform will double early years spending to over £8 billion in 2025–26. It will only be effective in achieving its goals if it is implemented well. In particular, it will enable educational gains to children and greater labour market attachment of parents if families can access childcare places and these are affordable.

It is not obvious how much the programme will reduce overall childcare costs to parents. Nurseries are still able to set prices for unfunded hours, affecting non-working parents or working parents wanting more than 30

¹¹ House of Commons Education Committee (2023). Support for Early Childcare and the Early Years. Fifth Report of Session 2022–23.

¹² Hodges, L., Shorto, S. and Goddard, E. (2024). Childcare Survey 2024. Coram Family and Childcare. Reed, J. and O'Halloran, J. (2024). The Childcare Challenge: How Can the New Government Deliver a Real Childcare Guarantee? IPPR and Save the Children. Available at: <http://www.ippr.org/articles/the-childcare-challenge>

¹³ Drayton, E., Farquharson, C., Ogden, K., Sibiet, L., Snape, D., Tahir, I. (2025). Annual Report on Education Spending in England: 2024–25. London: Institute for Fiscal Studies. Available at: <https://ifs.org.uk/publications/annual-report-education-spending-england-2024-25>

¹⁴ Hodges, L., Shorto, S. and Goddard, E. (2024). Childcare Survey 2024. Coram Family and Childcare. Reed, J. and O'Halloran, J. (2024). The Childcare Challenge: How Can the New Government Deliver a Real Childcare Guarantee? IPPR and Save the Children. Available at: <http://www.ippr.org/articles/the-childcare-challenge>

¹⁵ Foster, D. (2024). Funding of Childcare Providers in England. House of Commons Library CBP-8052.

hours a week and 38 weeks a year of care. The price of unfunded care might be affected by factors such as the funding received by nurseries per hour of funded care, space constraints or new demand for childcare places. Nurseries will also no longer be able to cross-subsidise across age groups which may affect their pricing schedules. They may also seek non-price adjustments such as a requirement to enrol a child for a minimum number of hours a week.

3

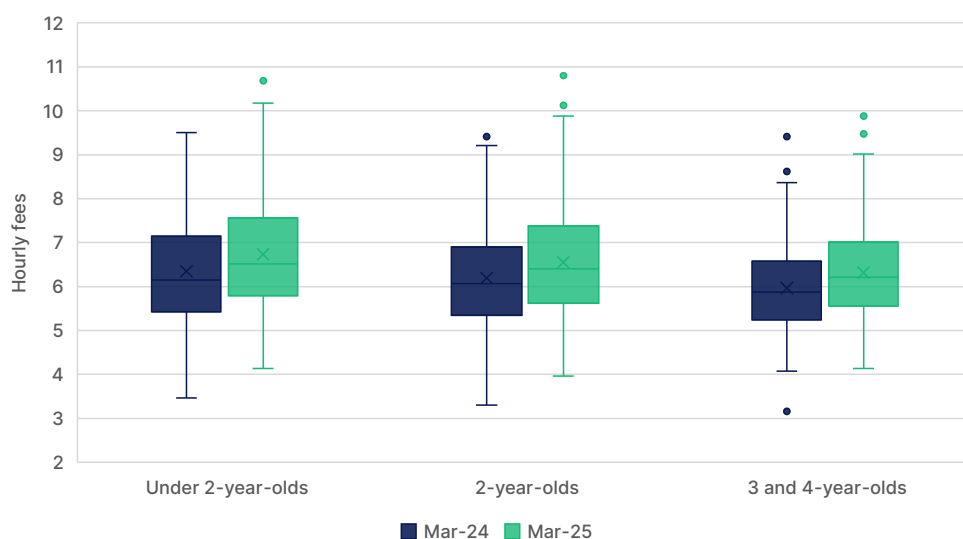
Findings

Findings

We have followed one large nursery chain, operating around 300 settings in the UK, on a monthly basis from March 2024 to March 2025, collecting prices charged by all their locations to observe how these prices have changed over time, especially around the different phases of the childcare reform. We focus on a private group provider because in 2024 private group-based providers constituted 26 per cent of all providers.¹⁶ In comparison, school-based providers accounted for 18 per cent of providers. Further, group-based providers in general provided 69 per cent of all available childcare spaces. Therefore, their prices – if set competitively with comparable providers – reflect those of a significant fraction of the sector. We do not focus on voluntary providers, childminders or the maintained sector.

Hourly fees in the chain over time

Figure 2. Hourly fees by age group in March 2024 and March 2025



The median hourly fee in the chain in March 2024 – prior to the reform – was slightly above £6 with a significant variation across the country, as shown in Figure 2.¹⁷ Median prices fall with the age of the child, from £6.15

¹⁶ Department for Education (2024). Childcare and Early Years Provider Survey 2024. Available at: <https://explore-education-statistics.service.gov.uk/find-statistics/childcare-and-early-years-provider-survey/2024>

¹⁷ The prices examined for the nursery chain include the cost of consumables such as meals and snacks. However, policies on these items vary between providers.

per hour for children under two to £6.06 per hour for two-year-olds to £5.88 for three- or four-year-olds. These reductions in price by age groups are much smaller than the reduction in the hourly labour costs as a child ages, resulting from lower permissible staff-child ratios.

A similar pattern emerges when looking at prices in March 2025, after Phases 1 and 2 of the expansion, although median prices for each age group were around £0.35 per hour higher.

Figure 3. Average hourly fees by age group over time

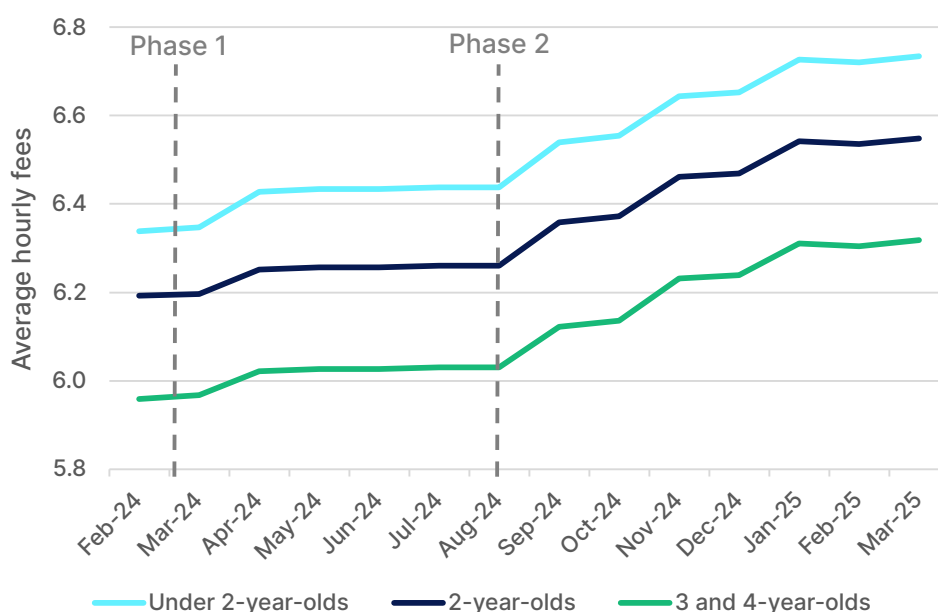


Figure 3 shows that most of the price adjustment during the period took place between August 2024 and January 2025. This was fairly constant across the three age groups, highlighting that nurseries tend to maintain a similar ratio of prices between age groups.

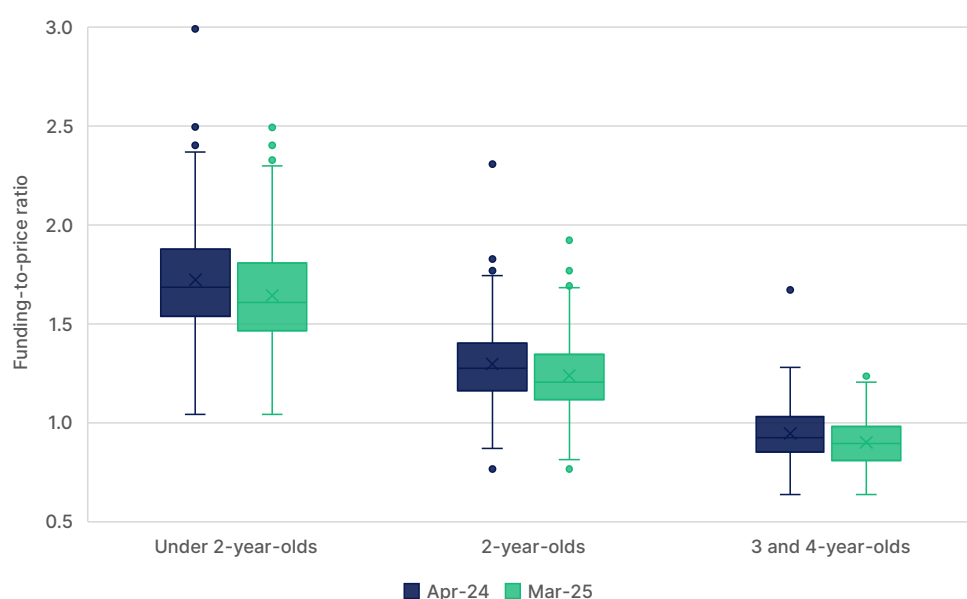
Funding-to-price ratios

The price increases could be driven by a range of factors. If the funding rates fall short of the costs of providing care, childcare providers may seek to increase prices for unfunded hours to cross-subsidise the funded hours they provide. Furthermore, even if the funding rates are sufficient, prices may increase due to increased demand after the reforms are rolled out.

We show that the ratio of the funding rate provided by the local authority to the hourly fees charged by a given nursery in April 2024 (funding-to-price ratio) varies across regions of England, age groups and levels of deprivation. This highlights the potential for the policy to have effects on the distribution of childcare use across the population.

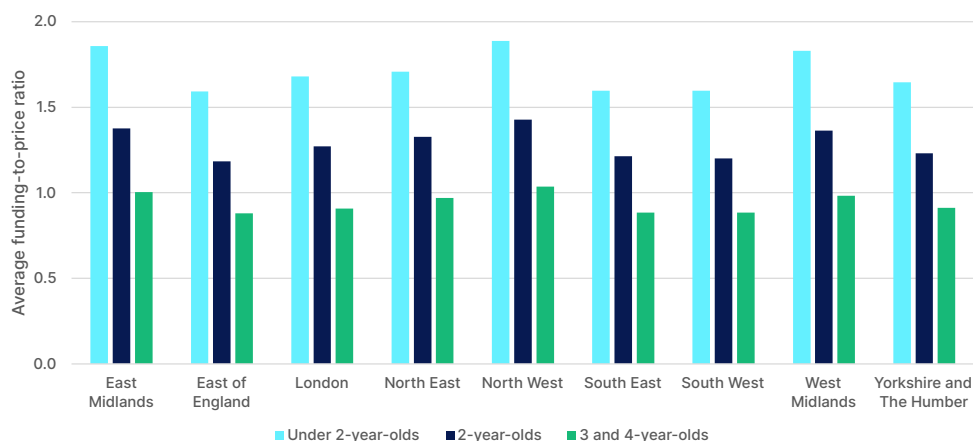
If we assume that the childcare market was relatively competitive prior to the reform, then the prices that were charged in April 2024 should reflect the costs of an hour of childcare (plus a normal profit margin). In this case, a ratio of 1 or above indicates that the funding is sufficient to cover costs. As can be seen in Figure 4 the ratios vary significantly across locations. However, for children under two the ratio is above 1 at all locations and for two-year-olds the ratio is above 1 at all but a handful of locations. This suggests that funding is sufficient to cover costs for these age groups. In contrast, for three- and four-year-olds, the ratio is above 1 at less than half the locations.

Figure 4. Funding-to-price ratio by age group (April 2024 vs March 2025)



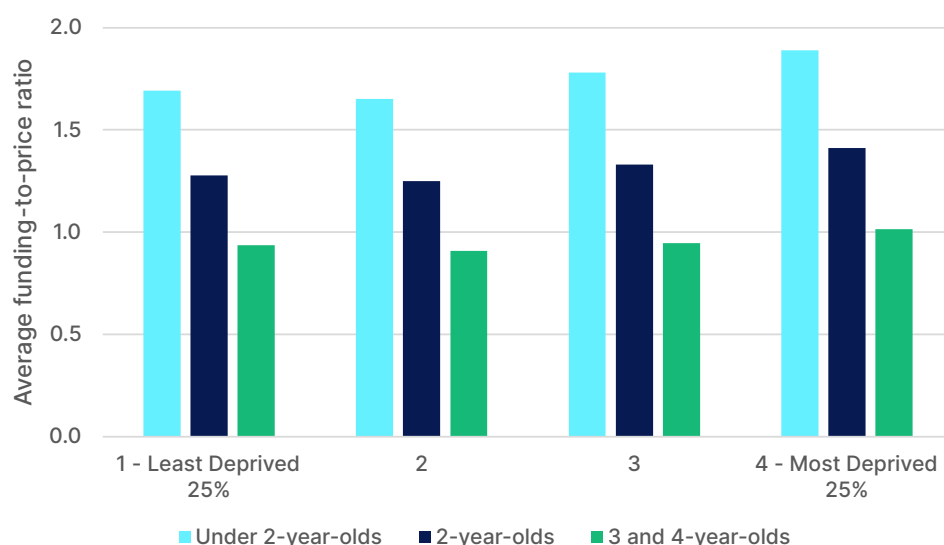
There is significant regional variation in the ratio (Figure 5), though in all cases the funding-to-price ratio for under-twos and two-year-olds is greater than one.

Figure 5. Funding-to-price ratio by region and age group



When we classify local authorities by quartile according to the Multiple Deprivation Index (Figure 6), we see that the ratios are slightly more generous at nurseries in the 25 per cent most deprived areas, reflecting the fact that the Department for Education funding formula considers factors such as the number of children eligible for free school meals in a local authority.

Figure 6. Funding-to-price ratio by local authority deprivation and age group



We examined whether the funding-to-price ratio affected the change in prices at a given nursery between March 2024 and March 2025. Specifically, we compared nurseries below and above the median funding-to-price ratio for two-year-olds. Average hourly prices rose by £0.40 at nurseries below the median and £0.32 at nurseries above the median (a difference that was significant at five per cent level). The results were very similar when using the funding-price ratio for under-twos. This pattern suggests that more generous funding can limit the extent to which nurseries increase their prices for unfunded hours.

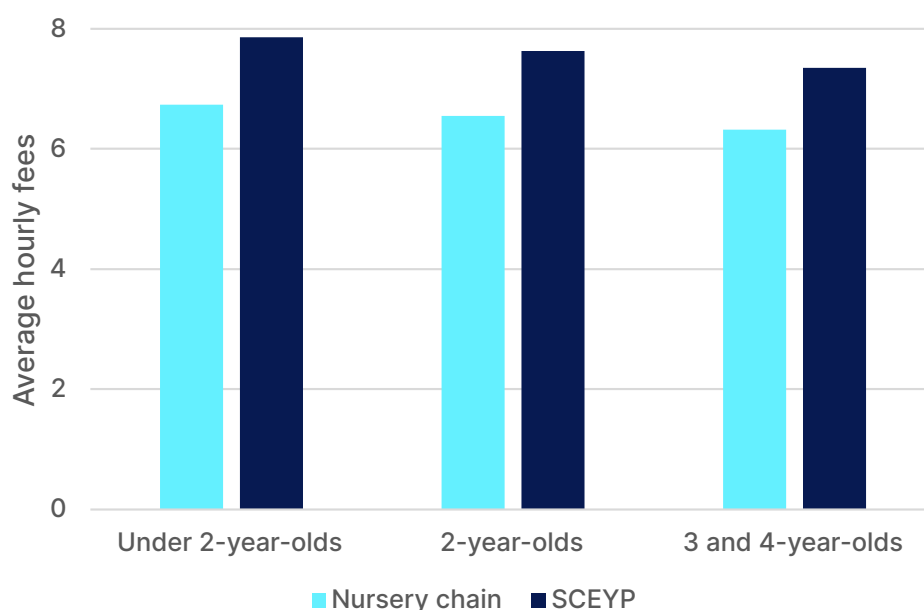
Comparison with other day nurseries

How do the nurseries in our sample compare with others? We compare hourly fees in the chain with those charged by other similar providers. We do this in two ways. Firstly, we draw on publicly available Childcare and Early Provider Survey data from May and June 2024. Secondly, we use new data that we collected in April 2025 for childcare providers in the vicinity of a sample of nurseries in the studied chain.

Comparison with providers in the 2024 Childcare and Early Years Provider Survey

Data from the 2024 Childcare and Early Years Providers Survey (SCEYP) suggest that 45 per cent of private group-based providers in the UK are organised within a chain, like our studied nursery group. At the time of the survey, which was in the field in May and June 2024, the mean hourly fees among private group-based providers were £7.86, £7.63 and £7.35 for children under two, two-year-olds and three- and four-year-olds, respectively. These were higher than the mean fees across all providers (£6.60, £6.56 and £6.30), primarily because maintained nursery schools and childminders tend to charge lower fees than private group-based settings. In our dataset, average hourly fees are lower across the board than the averages reported in the survey. The averages from May and June 2024 in our sample stood at £6.26, £6.22 and £6.16 for children under two, two-year-olds and three- and four-year-olds, respectively, placing the chain two to five per cent lower than the sector average. It is possible that the chain exploits economies of scale to offer lower prices and, therefore, their prices provide a lower bound on the changes observed in the sector.

Figure 7. Average fees within the chain and private group-based providers within SCEYP (May and June 2024)



Comparison with 'like-for-like' neighbours

The pricing decisions of providers are likely to be driven by local levels of demand, costs and competition. Therefore, it is informative to compare our dataset with other childcare providers that are nearby.

We collected price information for childcare providers within a five-mile radius of a 10 per cent subsample of the nurseries in the studied chain.

In Figure 8 we present the distribution of prices for the chain and for local day nurseries, which are the best comparison group due to the type of service they offer. It is clear that average prices are comparable between the two samples for all age groups. In March 2025, the average price across the chain was £7.69 for under-twos, £7.59 for two-year-olds and £7.33 for three- and four-year-olds.

However, there is a much larger variation in price among the 'neighbours', likely reflecting the fact that these vary more in terms of hours, quality and size than do nurseries belonging to a single chain.

The differences in hourly fees between the chain and its neighbouring day nurseries are not constant across regions (Figure 9). The North East is the only region where the hourly fees charged by the chain are on average higher than those charged by its neighbours. Prices are almost identical in London, where competition among childcare providers is likely to be strongest.

Figure 8. Price distribution in the studied chain and neighbouring day nurseries (Mar 2025)

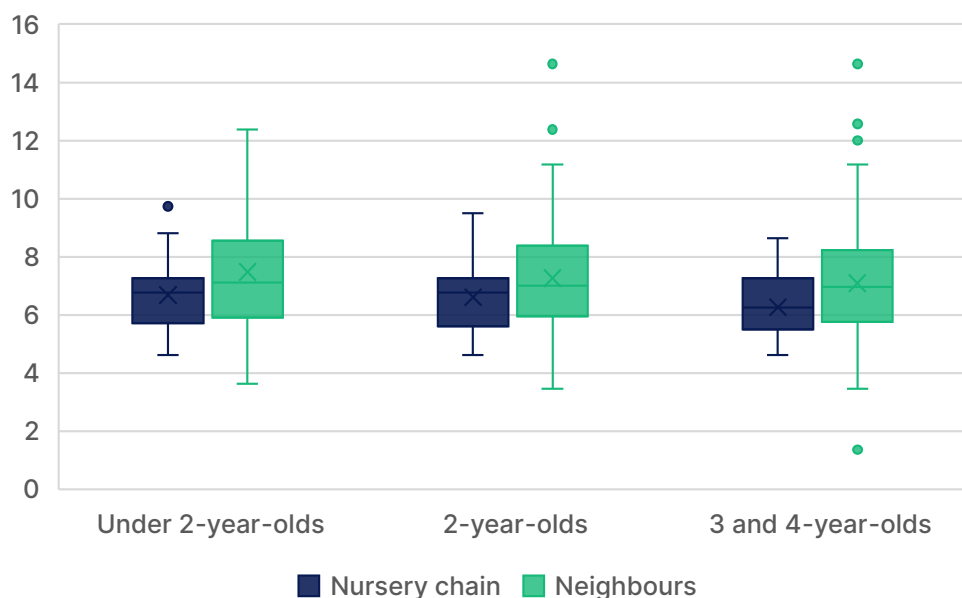


Figure 9. Regional variation of average hourly fees in the studied chain and neighbouring day nurseries



Overall, this confirms that prices in the studied chain are relatively comparable to those of similar nearby providers and follow a similar pattern across regions.

How do prices vary across different types of nurseries?

Fees

Using the data we collected on 242 childcare providers neighbouring the nurseries in our main data set, we find that hourly fees for children over two are higher in day nurseries than in preschool and primary school nurseries, although the difference is not large (Figure 10). Fees for under-tuos are lower at day nurseries, because it is relatively uncommon for preschool and primary school nurseries to accept children this young. Despite differences in the cost of caring for children of different ages, the average fees charged by day nurseries are similar across age groups. In addition, there is relatively little difference in prices between two-year-olds and three-and four-year-olds at preschool. However, there are bigger price differences between these two age groups at primary school nurseries.

We also consider how the prices vary regionally and by local authority deprivation levels. As is clear from Figure 11, there are significant variations in prices across the country with the highest fees in London, followed by the South East, South West and West Midlands. Average hourly fees are lowest in the North East of England, reflecting differences in the cost of

living. In most areas a clear pricing gradient is visible, with the fees for under two-year-olds being higher than for older children. However, this is not the case in the North East, North West and London. There are no significant differences in average prices by level of deprivation (Figure 12).

Figure 10. Average hourly fees charged by 'neighbours' by type and age group

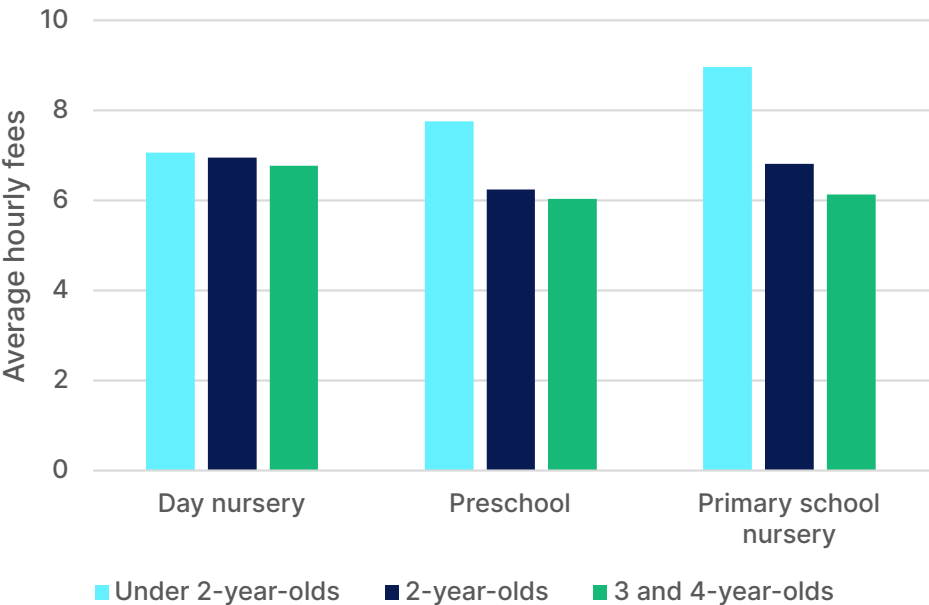
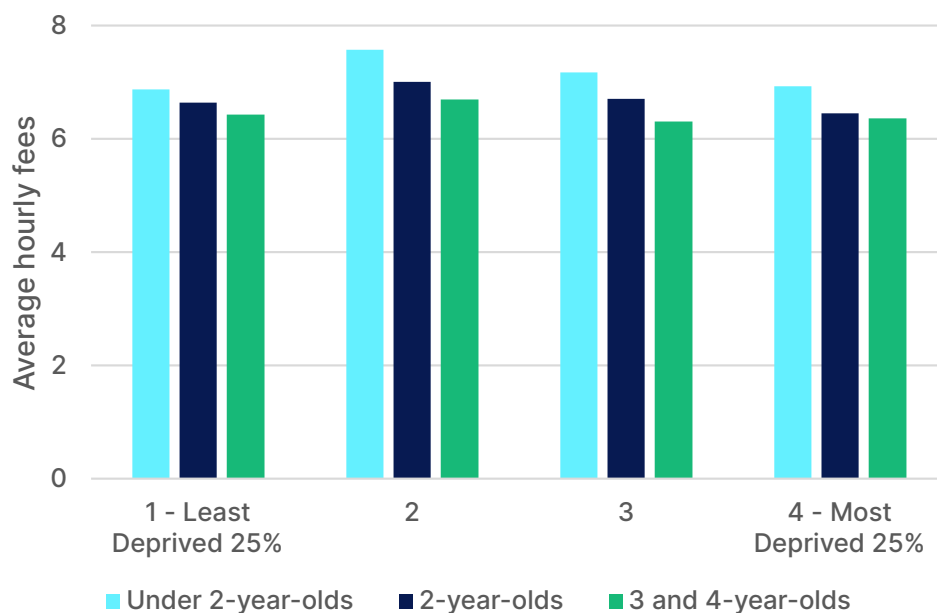


Figure 11. Regional variation in the average hourly fees charged by 'neighbours' by age group



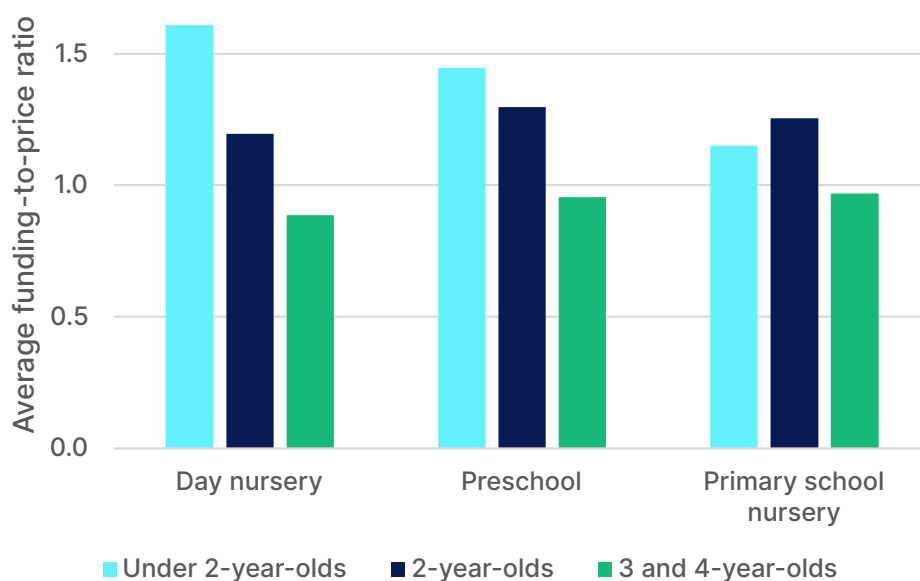
Figure 12. Hourly fees by age and deprivation quartile of the local authority where provider is located



Funding-to-price ratios

As is the case for our single chain, the funding-to-price ratios are above 1, indicating that funding is higher than the hourly fees charged for children under two- and two-year-olds, irrespective of the childcare provider type. However, in the case of three- and four-year-olds the ratio falls below 1, indicating underfunding. This is most striking for day nurseries.

Figure 13. Funding-to-price ratio by neighbour type and age group





Conclusion

Conclusion

Funding-to-price ratios vary by age groups, regions of England and the level of deprivation. Funding rates for under two-year-olds and two-year-olds are higher than mean hourly fees for most local authorities and across all regions of England. Funding rates for three- and four-year-olds are lower than mean hourly fees for most local authorities and across most regions of England.

Childcare provision for three- to four-year-olds appears to be underfunded, which would explain why in the past nurseries relied on a system whereby older children were cross-subsidised from younger age groups.

Average hourly fees increased between March 2024 and March 2025, significantly more among the worst-funded half of nurseries than among the best-funded half. This suggests that nurseries pass on some of the costs associated with the policy to parents.

When compared to a sample of nearby childcare providers of different types, similar patterns in hourly fees and funding-to-price ratios emerge. However, the level of underfunding of three- and four-year-olds is most striking among day nurseries. The prices within the chain are relatively similar to those at other nearby day nurseries, although in many cases they are slightly lower.

Avenues for further research

The analysis in this report highlights concerns around the free childcare policy, including:

- The level of funding provided to nurseries appears to be related to the price charged for unfunded hours, with nurseries in relatively well funded areas raising their prices by less than nurseries in other areas. This raises the question of the overall effect of the policy on the affordability of childcare and its influence on inequality in childcare usage across areas.
- The level of funding for three- and four-year-olds is relatively low compared with that offered for younger children and does not appear to cover costs for many nurseries. Historically, nurseries have subsidised this age group by charging younger children more. How the reforms will affect the pattern of prices across age groups is unclear and deserves further investigation.

Causal analysis is necessary to examine these questions more thoroughly. In future work we will analyse the price effects of all three phases of the reform, for England as a whole and across regions, to account for differences due to factors affecting supply of and demand for childcare or due to socioeconomic characteristics. This will enable an assessment

of the overall benefits of the reform to working parents who require more than their allowance of funded hours. By establishing the net reduction in parental costs, we will provide a critical foundation for evaluating the policy's broader effects on childcare take-up and maternal employment.

Data sources

We collected the data for the chosen chain from the internet on a monthly basis, starting in March 2024. This covers around 260 nurseries across the United Kingdom.

Data from the 2024 Early Years and Childcare Provider Survey are publicly available here: <https://explore-education-statistics.service.gov.uk/find-statistics/childcare-and-early-years-provider-survey/2024>

The data on funding rates by local authority are publicly available here: <https://www.gov.uk/government/publications/early-years-funding-2025-to-2026>

In March 2025 we also collected complementary snapshot price data for several childcare providers in the vicinity of the nurseries within the chain. Specifically, we randomly selected 26 nurseries in the chain (ca. 10 per cent of the sample) and looked for neighbours who posted their prices – either the 15 nearest or all that were within a five-mile radius, whichever was lowest. Only about 20 per cent of nurseries that were identified posted price data on the internet. We collected price data on 242 neighbours in total. Of those, 126 are day nurseries and 116 are other providers (preschools and primary school nurseries). We do not know how many are group-based.



UNIVERSITY OF
BATH