
Childcare survey 2018

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About this report

This report is the eighteenth annual Childcare Survey. It is based on surveys from local authorities in England, Scotland and Wales, which were returned to Family and Childcare Trust between November 2017 and January 2018. We also produce the Holiday Childcare Survey, which is published annually before the school summer holidays. Previous reports are available from our website: www.familyandchildcaretrust.org.

Note on terminology: we use childcare to refer to all forms of care which are paid for by families or the Government, not provided by parents or main carers and outside of compulsory schooling. Early education is one type of childcare and refers to children below school age. We believe that all activities in a child's life have a role in their education and development, but use the term childcare throughout for simplicity.

About the Family and Childcare Trust

The Family and Childcare Trust works to make the UK a better place for families by bringing together what we learn from our on the ground parent-led programmes and our research to campaign for solutions that parents want and need. We focus on childcare and early years to make a difference to families' lives now and in the long term.

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Summary

This year has seen welcome investment in childcare that will help to reduce the burden of childcare costs for many families through tax free childcare and the 30 hour extended entitlement. But significant issues remain for many parents: childcare costs remain high, the multiple forms of support in the system make it difficult for parents to navigate, and in many areas there is simply not enough childcare available, particularly for parents who work outside the nine to five, or for disabled children.

Some parents are still worse off in work once they have paid for childcare, particularly larger families or families with young children. The time from the end of paid parental leave to a child turning three and being eligible for free childcare is a particular pressure point, as this group has seen the steepest price rises this year, making it very hard for parents to work.

Childcare supports parents to work, keeps valuable skills in the workforce, helps children do better at school and can narrow the gap between disadvantaged children and their peers. Action is needed to make sure that every family is able to access high quality childcare that boosts children's development and supports parents to work.

Price of childcare

- Childcare prices for children under three have risen above inflation and wages this year. Afterschool club prices have risen by a smaller amount.

	Price	Increase since 2017
25 hours a week nursery for child under two	£122	7%
25 hours a week nursery for child age two	£119	6%
5 days a week afterschool club	£56	3%

- Working parents of three and four year olds in England can now get 30 hours of free childcare a week. If they need 20 extra hours to take this up to 50 hours a week, the average price will be £94.
- Our survey does not tell us why prices have increased, and reasons are likely to be different for different providers and in different areas. Possible reasons include changes to pensions and minimum wage, the costs of delivering the 30 hour extended entitlement, the impact of tax free childcare, and general inflation.

Paying for childcare

- ▶ There are seven types of childcare support available depending on families' circumstances: three free entitlements, childcare vouchers, tax free childcare, and universal credit and tax credits.
- ▶ Although the prices charged for childcare for children under three have risen above inflation, many parents will be paying less for their childcare than last year because they can now use tax free childcare.
- ▶ Tax free childcare pays up to 20 per cent of childcare costs, taking the price paid by parents with a child under two needing 25 hours of care a week down from £6344 per year to £5075.
- ▶ Parents who are using the benefits system can get up to 85 per cent of their childcare costs paid, although this will reduce as they earn more from work. Childcare subsidy through the benefits system is very complex and, unlike tax free childcare, requires parents to pay fees upfront and wait to be reimbursed. In most areas, the cost of full time childcare exceeds the £175 per week cap for one child on support with childcare costs.

Whether there is enough childcare

- ▶ Only half of local authorities in England and Wales have enough childcare for parents working full time.
- ▶ The majority of local authorities do not have enough childcare available for children needing after school care, parents working outside normal office hours, or disabled children.
- ▶ 33 per cent of local authorities in England, 40 per cent in Wales, and 14 per cent in Scotland, do not have enough early education for three and four year olds eligible for the universal free entitlements.

The 30 hour extended entitlement in England

- ▶ Less than half of English local authorities have enough childcare for children using the 30 hour extended entitlement.
- ▶ Local authorities report that 82 per cent of day nurseries are currently offering the 30 hour extended entitlement to at least some children – this falls to 57 per cent of nursery classes and 53 per cent of childminders.
- ▶ Local authorities expect a mixed impact from the 30 hour policy on their childcare market as it rolls out in full: some are concerned about the funding not being enough to meet providers' costs, while others think it will lead to higher occupancy and a more stable income stream. This is partly driven by different funding levels in different local authorities.

Recommendations

Government should develop a childcare strategy and reform all current spend on childcare to create a simple and efficient system that makes sure all parents are better off working, encourages quality improvement and promotes child development.

An ambitious strategy and reform will take time. In the short term, there are actions that can be taken to improve provision now. We call on the Scottish, Welsh and UK governments to:

- ▶ Make sure every parent is better off working after paying for childcare. This includes increasing the maximum amount of childcare costs paid for under Universal Credit and moving to upfront payments for childcare to make it possible for parents to move into work.
- ▶ Make sure there is enough childcare available for all families. Governments should provide start up grants to childcare providers and responsive funding for childcare providers so that they can meet the needs of disabled children.
- ▶ Help parents to improve their skills and employability by extending 30 hours free childcare for three and four year olds to families where parents are in training.
- ▶ Improve access to early education for disadvantaged – including disabled – children by doubling the early years pupil premium.
- ▶ Monitor what effect new funding (tax free childcare and 30 hours) is having on childcare prices and whether it is helping parents into work and narrowing the achievement gap.

Section 1: Prices of childcare for children under five

All prices in this section are the rates that providers charge for childcare. Most parents will not pay these prices in full because they are entitled to support with their childcare costs through tax free childcare or the benefits system. These childcare subsidies are described in more detail in Box 1.

A: Prices of part time childcare for children under three

This year, the average price of 25 hours of care a week for a child under two in a nursery is £122 across Great Britain, or £6300 per year. There is significant variation between nations and regions: costs are 70 per cent higher in Inner London than in Yorkshire and Humber. Costs reduce slightly when a child turns two. This is because staffing ratios tend to be higher, and hence staff costs greater, for the youngest children.

Table 1: price of 25 hours a week childcare for children under three

	Nursery		Childminder	
	Under two	Two	Under two	Two and over
Great Britain	£122.46	£119.47	£107.41	£109.44
England	£124.73	£120.66	£110.61	£109.95
Wales	£116.18	£116.02	£100.22	£100.38
Scotland	£109.68	£108.60	£114.33	£112.75
English regions				
East Midlands	£109.61	£109.53	£94.36	£94.35
East of England	£122.20	£122.13	£106.41	£104.28
London: Inner	£183.56	£174.47	£155.14	£154.11
London: Outer	£145.44	£134.03	£135.71	£135.36
North East	£122.30	£118.11	£106.20	£106.02
North West	£101.83	£101.19	£88.98	£90.89
South East	£141.70	£131.16	£121.82	£120.12
South West	£116.36	£119.22	£108.18	£107.35
West Midlands	£108.52	£106.41	£98.72	£97.09
Yorkshire and Humber	£105.30	£103.37	£96.16	£95.78

Costs for two year olds do not include the targeted free childcare entitlements which are available to a minority of children in England, Scotland and Wales. These are described in more detail in Box 2. Nursery figures are weighted averages for settings which are run by the local authority, and those which are run by private and voluntary organisations.

Overall childminder costs are slightly lower than nursery costs. There is less difference when a child turns two, because childminders have less scope to make changes by changing ratios,

and older children may have higher costs for food and activities. The ratio of childminder costs to nursery costs varies across the country: childminders are about £20 per week cheaper in the South East, but only about £10 a week cheaper in the South West perhaps reflecting differences in premises costs, demand, supply and parental preferences.

Box 1: Support with the costs of childcare

All parents with young children, and some parents with older children, are entitled to support from Government with their childcare costs: either through the benefits system or through other support for working parents. This is only available if they use childcare which is registered with Ofsted. The schemes available to parents will depend on their family income, child's age, childcare costs, and whether they live in an area where Universal Credit has been rolled out. It is not possible to use tax relief schemes and benefits at the same time.

Support through the benefits system

Universal Credit is currently being rolled out to all claimants. This process is expected to continue until the early 2020s, and until this point some families will continue to use the older system of Working Tax Credit.

Universal Credit funds up to 85 per cent of childcare costs up to a maximum of £175 per week for one child or £300 per week for two or more children. The actual amount families get will tend to be less than 85 per cent of their childcare costs as Universal Credit is reduced as people earn more. These caps have not been changed for over ten years, while childcare costs have increased significantly.

The childcare element of Working Tax Credit funds up to 70 per cent of childcare costs up to the same thresholds as Universal Credit. Under this system, childcare costs are considered when calculating housing benefit, which can mean parents get as much or more under Universal Credit.

Other support for working parents

Tax free childcare was launched in April 2017 and has been rolled out in phases, beginning with the youngest children. By the end of March 2018 it will be available to all parents with children aged under 12, or up to 16 if the child has a disability. From April 2018, Childcare Vouchers will no longer be available to new applicants, although families already using them can continue to do so.

Tax free childcare covers 20 per cent of childcare costs up to a maximum of £2,000 per child per year, or £4,000 for disabled children, where no parent earns more than £100,000 per year. It is administered through online accounts – parents pay in money, the Government tops it up, and the money is then transferred to the provider.

Childcare vouchers are employer-managed schemes meeting up to £55 of childcare costs per parent per week.

Support for parents who are in training and education

There is some childcare support available for parents who are in training or education, but this varies with the parent's age, the type of qualification they are undertaking, and the policies of their education provider. There is more information on support for these parents on the Family and Childcare Trust website.

B: Prices of full time childcare for children under three

Prices for full time care (50 hours a week) tend to be slightly less than twice the price of 25 hours a week, as providers pass economies of scale on to parents. The difference tends to be less for childminders.

Table 2: prices of 50 hours a week childcare for children under three

	Nursery		Childminder	
	Under two	Two	Under two	Two and over
Great Britain	£232.84	£229.33	£217.30	£216.10
England	£236.19	£231.75	£218.22	£217.06
Wales	£218.73	£220.77	£202.61	£203.10
Scotland	£205.18	£200.66	£228.00	£224.85
<i>English regions</i>				
East Midlands	£202.05	£201.86	£188.52	£188.49
East of England	£226.35	£229.84	£209.96	£206.05
London: Inner	£342.78	£323.40	£307.77	£305.58
London: Outer	£269.06	£258.96	£260.65	£261.36
North East	£215.77	£208.17	£204.30	£203.92
North West	£194.67	£193.66	£175.92	£178.88
South East	£267.36	£260.86	£243.64	£240.24
South West	£233.77	£232.64	£213.49	£211.92
West Midlands	£213.03	£208.53	£196.29	£193.72
Yorkshire and Humber	£206.40	£203.51	£190.29	£189.39

Under Universal Credit and Tax Credits, parents can get support with childcare costs up to £175 per week for one child. The average cost of full time childcare exceeds this in all nations and regions of the UK.

D: Childcare prices for children aged three and four, including free entitlements

All children aged three and four in England, Scotland and Wales are entitled to some free early education until they start school. Parents will therefore only need to pay for some of the hours of childcare that they need. For example, in England a parent needing care for 25 hours a week and entitled to a free place for 15 hours a week would only pay for 10 hours.

The amount of universal free early education differs between different parts of the UK. In addition to the universal entitlements in all three nations, three and four year old children of working parents in England and parts of Wales get extra hours of free early education, and there are plans to roll out the scheme in the rest of Wales, and a similar scheme for all families regardless of working status in Scotland and the rest of Wales. These free entitlements are described in more detail in Box 2.

The situation in Wales is in complex transition: some areas are offering the 30 hour extended entitlement, some have legacy arrangements which offer extended hours, some are Flying Start areas which offer 12.5 hours, and the rest are offering the standard 10 hours – often there are different systems in place in the same local authority. As such, it is not possible to calculate a meaningful price for three and four year olds in Wales this year.

Table 3: Prices of childcare for three and four year olds

	25 hours a week, including universal entitlement (paying for 10 hours)	50 hours a week, including extended entitlement in England (paying for 20 hours) and universal entitlement in Scotland (paying for 35 hours)
England	£49.36	£94.42
Scotland	£53.03	£140.97
<i>English regions</i>		
East Midlands	£41.74	£79.08
East of England	£45.18	£87.26
London: Inner	£75.35	£129.96
London: Outer	£62.86	£117.40
North East	£46.08	£81.11
North West	£42.52	£81.92
South East	£52.23	£103.46
South West	£46.22	£97.35
West Midlands	£44.09	£84.19
Yorkshire and Humber	£41.13	£79.68

In England and Wales, some providers, particularly schools, have free childcare available in term-time only and we have used this assumption in our calculations, so prices for parents will be higher in the holidays. In practice, many PVI providers use a 'stretched' offer to give the same amount of childcare hours over more weeks, for example, 22.8 hours a week for 50 weeks of the year rather than 30 hours a week for 38 weeks of the year.

Box 2: Free early education entitlements

Across England, Scotland and Wales all children aged three and four and some children aged two are entitled to some hours of free early education. The exact offer varies between the different nations. In most cases, children will become eligible for the free offer at the start of the school term after their birthday. Most offers are also only available during school term times, or 38 weeks of the year.

	Entitlements for two year olds	Entitlements for three and four year olds
England	15 hours a week for 38 weeks a year for two year olds from families claiming various benefits (including in-work benefits), or who are disabled, or who are looked after by the local authority. This equates to about 40 per cent of all two year olds.	15 hours a week for 38 weeks a year for all three and four year olds. 30 hours a week for 38 weeks a year for three and four year old children of working parents. See box 3.
Scotland	600 hours a year for two year olds from families claiming certain benefits, or who are looked after by the local authority. Eligibility criteria are narrower than for English families.	600 hours a year for all three and four year olds – this equates to 12.5 hours a week over 48 weeks. By 2020, all three and four year olds will be entitled to 1140 hours a year. This is already being trialled in some areas.
Wales	12.5 hours a week for 39 weeks a year for two and three year olds living in Flying Start areas. These are geographic areas which are more deprived. There are no additional criteria for families living within these areas.	10 hours a week in term time for all three and four year olds (in practice some local authorities offer more than this). Three year olds living in Flying Start areas are entitled to the same level of support as two year olds. Some local authorities in Wales are piloting a 30 hour extended entitlement.

Government guidance on the 30 hour extended entitlement states that it must be offered for free but parents may be charged for extras such as lunch, as long as they have the option to say no to these and still take up a place. There has been significant discussion about what extras providers can charge for and whether these are truly optional, and there have been some reports of charges for lunch which appear higher than the cost of food and staff time for preparation. Some providers are also requiring that the offer must be taken as the same number of hours every day, or only on certain days of the week. This may mean that parents who do not use childcare for full days every weekday cannot use their entitlement in full. These factors may increase the actual cost of childcare for families using the 30 hour extended entitlement, and they are not captured in our survey.

The 30 hour extended entitlement in England was introduced in September 2017 and its impact on the childcare market is continuing to develop. This is discussed more in Section 2: changes to childcare.

Box 3: 30 hour extended entitlement for working parents of three and four year olds in England – eligibility

Since September 2017, some three and four year olds in England have been entitled to 30 hours per week of free childcare for 38 weeks per year. Parents are eligible if:

- ▶ They are a single parent earning at least the equivalent of 16 hours per week at the national minimum wage
- ▶ They are part of a couple and both parents are earning at least the equivalent of 16 hours per week at the national minimum wage
- ▶ They are part of a couple and one parent is earning at least the equivalent of 16 hours per week at the minimum wage, and the other receives certain benefits linked to disability or caring responsibility.

Parents are not eligible if they or their partner earn more than £100,000 per year each. Earnings may be from employment or self-employment. Newly self-employed parents do not have to meet the income threshold for the first 12 months of self-employment.

The offer may be taken for 30 hours a week in term time or 'stretched' to give fewer hours over more weeks. It can be used with childminders, private or voluntary nurseries, maintained nursery schools, or nursery classes in schools – or a combination of these, such as a nursery class in the morning, then a childminder in the afternoon.

E: Local variations in the price of childcare for young children

Average prices provided by local authorities conceal significant variation in prices at a local level. Most childcare providers are private businesses, and outside of the funded free entitlements they are free to set their fees in a competitive marketplace. We ask local authorities to tell us about the lowest and highest prices they are aware of for 25 hours of care for a child under two, and calculate these as a percentage of the local average price.

Table 4: highest and lowest local prices as a percentage of average local prices, for 25 hours of care for a child under two

	Highest price	Lowest price
Great Britain	156%	67%
England	158%	66%
Wales	135%	74%
Scotland	134%	79%
<i>English regions</i>		
East Midlands	145%	65%
East of England	178%	67%
London: Inner	141%	66%
London: Outer	164%	69%
North East	125%	63%
North West	157%	68%
South East	164%	61%
South West	172%	72%
West Midlands	159%	72%
Yorkshire and Humber	150%	61%

The range of variation is different across the country: within England, it is highest in the East of England, and lowest in the North East. Scotland and Wales have notably lower ranges. Unless providers can access charitable subsidies such as discounted rent, there is an effective floor to the price that childcare can be provided because of regulations on the ratio of staff to children, the amount of space required, and the minimum wage. This is probably why the lowest price that authorities are aware of is generally closer to the average than the highest price.

F: Prices of school age childcare

Families with school age children may need childcare before school, after school and during the holidays. This report considers the price and sufficiency of school age childcare during term time: for information on the price and sufficiency of holiday clubs, please see the Family and Childcare Trust annual Holiday Childcare Survey.

Table 5: weekly price of an after school club or childminder for children age 5-11

	After school club	Childminder (to 6pm)
Great Britain	£56.38	£62.25
England	£56.82	£62.95
Wales	£50.64	£54.47
Scotland	£56.74	£61.92
<i>English regions</i>		
East Midlands	£50.90	£60.48
East of England	£65.76	£43.60
London: Inner	£71.75	£88.04
London: Outer	£53.16	£88.32
North East	£56.34	£51.25
North West	£48.84	£50.78
South East	£58.55	£67.13
South West	£55.28	£61.17
West Midlands	£57.93	£59.71
Yorkshire and Humber	£54.78	£58.62

The regional distribution of prices for school age childcare within England is different to the distribution of prices for younger children. Some London local authorities have a historic pattern of running some after school clubs in-house and charging low prices to parents, effectively subsidising the provision. This brings down average prices in these otherwise high-cost areas so they are close to the national average. There is a similar pattern for holiday provision in these areas, which also tends to be subsidised by some London local authorities. Childminder costs are not susceptible to this subsidy, so they are closer to the pattern for younger children.

As well as using formal after school clubs, parents may also use activity clubs as de facto childcare. Prices for this are not captured in our survey. Because clubs providing a specific activity such as football or dance for children over eight do not have to be registered and regulated as childcare by Ofsted, they are not officially counted as childcare, and so parents will not usually be able to pay for them using tax free childcare or childcare support through the benefits system.

Section 2: Changes to childcare

A: Change to prices since 2017

This year has seen a significant, above inflation increase in the prices charged by nurseries in England, and increases in line with inflation for after school clubs. This increase for England comes after several years of below-inflation rises: the overall increase for England last year was 0 per cent. Inflation overall was higher in 2017 than in 2016. Prices in Scotland are not significantly changed. Prices in Wales have increased markedly: we believe this is in part due to new requirements on Welsh local authorities for assessment of their childcare sufficiency in 2017, which mean they have more complete and current data. Use of nurseries is more common than use of childminders: only about 5 per cent of families who use formal childcare use a childminder.

Table 6: prices changes

	25 hours nursery for a child under 2	25 hours nursery for a child aged 2	5 days after school club
Great Britain	7%	6%	3%
England	7%	7%	2%
Wales	15%	13%	2%
Scotland	-2%	0%	5%

For a detailed explanation of how the price changes were calculated, please see the methodology. As in previous years, the average change does not mean that all areas have seen equivalent rises, or that all providers have put their prices up by the same amount: the childcare market is typically fairly volatile. Price changes can reflect existing providers putting their prices up, or providers opening or closing in an area.

While we have seen prices rise, it is important to note that many parents will be spending less of their wages on childcare than last year. In the last year we have seen the introduction of tax free childcare and the extension of free childcare for three and four year olds with working parents in England. Almost all families will now be able receive some Government support to access and pay for childcare. 2017/18 is the first year that this support has been available to almost all parents¹ – although not all parents who are entitled will claim. For more information on these entitlements, see Box 1.

¹ Families where one parent earns more than £100,000 per year are not entitled to any support.

Our data does not tell us why price rises have occurred and reasons are likely to be different for different providers and in different areas. We believe that possible causes include:

- ▶ The 30 hour extended entitlement: where the prices providers are paid by local authorities are less than the prices they can charge parents, they may put prices up elsewhere to compensate.
- ▶ Tax free childcare: if parents are getting new subsidies of up to 20 per cent of childcare costs, they may be more willing to accept price rises. Providers may use this as an opportunity to recoup losses, increase staff pay and conditions, improve facilities, or increase their profit margin. Previous cash injections into the childcare system are believed to have had an inflationary effect.
- ▶ Pensions auto enrolment and rises to the minimum wage: may increase providers' staffing costs, which is reflected in prices. Childcare is generally a low-paid profession and many staff are paid at the minimum wage. Staffing is generally the largest component of a provider's cost base.
- ▶ The generally high level of inflation in 2018, which affects the price providers pay for food, other consumables, new equipment or improvements to premises.

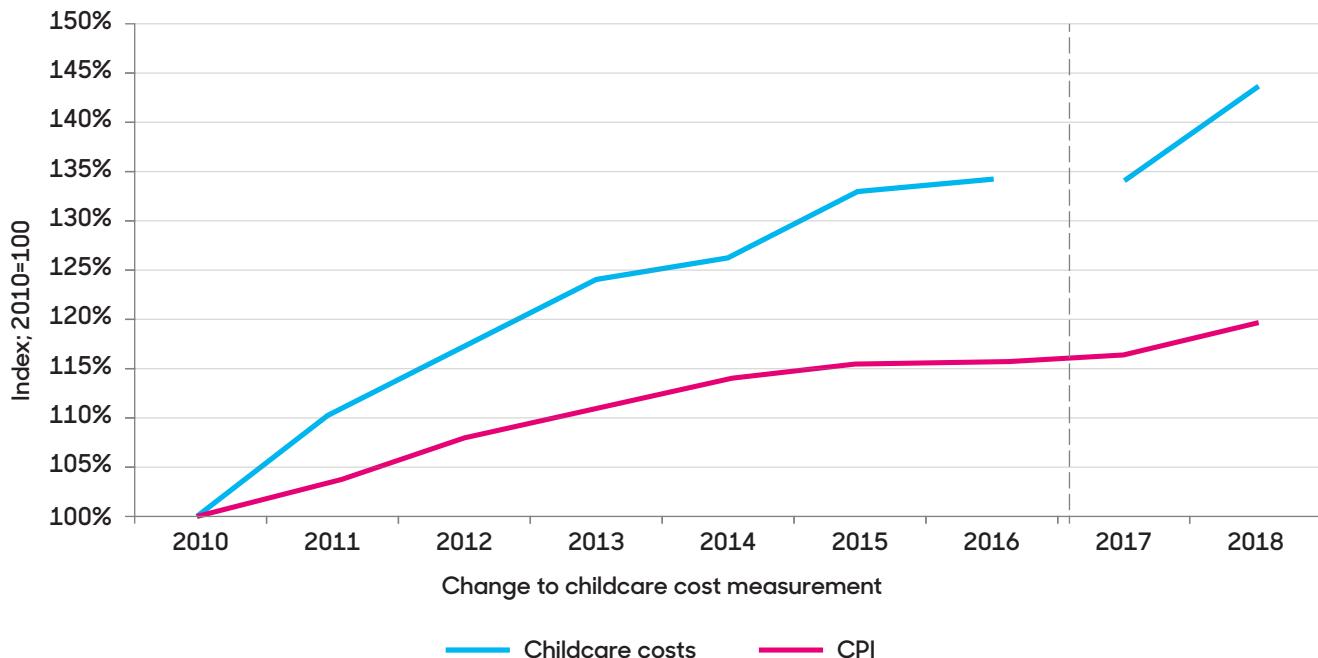
It is also possible that childcare providers avoided increasing their costs last year because they were anticipating significant changes to the funding system, and increases this year reflect two years of cost pressure. In some parts of the country and for some providers, there may also be other factors such as increases to rent or mortgage costs, or increased demand leading to pressure on places.

B: Childcare prices and inflation since 2010

Since 2010, childcare prices overall have risen above the rate of inflation: average inflation has been about 2.3 per cent per year, and childcare price rises are about twice this. However, the relationship between childcare prices and inflation has not always been consistent: in 2014 and 2017 inflation as measured by the consumer price index (CPI) was above the rate of change for childcare prices, whereas in 2011, 2015 and 2018 childcare prices rose well above CPI.²

² CPI figures are for the previous year, as childcare costs are generally collected by local authorities in or before the autumn prior to when the Childcare Survey is published

Chart 1: CPI and nursery price increases, 25 hours a week for a child under 2



Childcare cost changes from 2010 to 2016 are based on total costs compared year-on-year. Changes from 2016 onwards are based on comparing on an area-by-area basis, as described in the methodology. This long-term trend data should therefore be taken as indicative only.

C: Impact of new childcare policies

2017 saw the introduction of two key new childcare initiatives: the 30 hour extended entitlement for working parents of three and four year olds in England, and tax free childcare across the UK (see Boxes 1 and 2). The cumulative effect of these is that Government will pay a higher proportion of families' childcare costs. While the schemes are distinct, and many families will be using one but not the other, it is hard to separate out the difference they have made because they were introduced at the same time.

It is too early to make a full judgement on the impact of both schemes. The 30 hour extended entitlement was only introduced in September 2017, so it has not yet been running for a full year. It is likely that many providers will still be calculating the financial impact for them, and will make further changes to their costs or conditions as this becomes clearer. Similarly, parents with only a small amount of time using the free entitlement before their child starts school may behave differently to the next cohort of parents, who will be using the scheme for longer. At the time of our survey, tax free childcare was only available to children up to around age seven: by March 2018, it is now available to all families with children under 12.

Providers are not obliged to offer either the 30 hour extended entitlement or tax free childcare, although there may be commercial pressure on them to do so. We asked local authorities what proportion of providers in their area offered the 30 hour extended entitlement and tax free childcare for at least some children. (In some cases, providers may offer the 30 hour entitlement but have a limited number of places for it.) This data was collected as part of our main survey, which was in the field between November 2017 and January 2018.

The majority of authorities were unable to tell us about the proportion of providers offering tax free childcare: the system is run by HMRC and at the time of our survey information at provider level had not been provided to local authorities. Because response rates were low, we have not published this data.

Most local authorities in England were able to tell us about the proportion of providers offering the 30 hour extended entitlement. We have weighted their responses to reflect the number of different types of provider in their area, according to Ofsted registrations.³

Table 7: proportion of providers offering the 30 hour extended entitlement, England

Maintained nurseries	81%
School nursery classes	57%
PVI (private, voluntary and independent) nurseries	82%
Childminders	53%

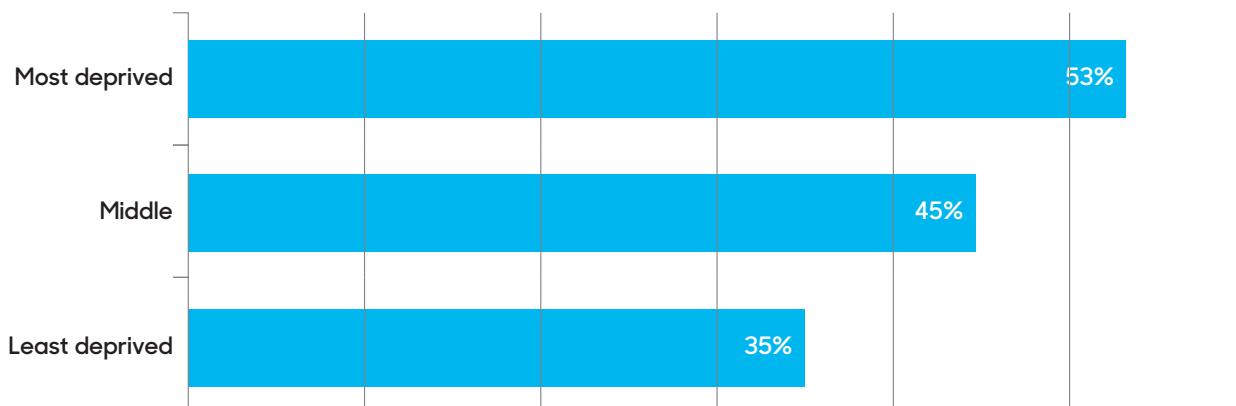
More than four in five PVI nurseries are offering the 30 hour extended entitlement. Some of those who are not may be sessional providers who are not open for 30 hours a week, or who take children in two separate morning and afternoon sessions and do not have the facilities to provide a lunch in between. Others will be providing at least 30 hours per week of provision but have chosen not to offer the extended entitlement, perhaps due to funding or because of a perceived complexity with applications. Childminders are much less likely than PVIs to be offering the extended entitlement – only just over half currently do. It is possible that more will apply in future if they do not currently care for, or have vacancies for, children aged three or four.

Less than three fifths of school nursery classes are making 30 hour provision available. In the majority of cases, this is likely to be because they do not have a system which allows children to attend for more than fifteen hours: they will tend to offer either a morning session only, or two separate morning and afternoon sessions. Maintained nursery schools (nurseries run by the local authority) are much more likely to be offering the 30 hours to their children, but they are a small part of the market: there are only 402 of them across England, compared to over 7000 primary schools with nursery classes.

Overall, 45 per cent of local authorities had sufficient childcare for the 30 hour extended entitlement when they reported between November 2017 and January 2018 – lower than the 67 per cent who have sufficient childcare for children on the 15 hour entitlement. More deprived areas were more likely to say they had sufficient childcare than less deprived areas, perhaps because more deprived areas have fewer children entitled to the extended entitlement.

³ Note that weightings in this section are different to other weightings in our survey, which are based on child population. PVI providers and nurseries are taken from the Early Years Register, and nursery classes and maintained nursery schools from the Schools Register, which was filtered to exclude schools which do not have any early years provision.

Chart 2: local authorities reporting full sufficiency for the 30 hour extended entitlement, by IDACI (income deprivation affecting children index)



Box 4: 30 hour extended entitlement – funding

Providers are paid to deliver all the free entitlements by local authorities – they receive an hourly rate per child. The rates for three and four year olds are the same regardless of whether they are using the 15 or 30 hour entitlement. The overall hourly rates for an area are set by the Department for Education using a formula which takes into account the needs of children in the area and the local cost of providing childcare. The degree of variation is significant: from £4.30 per hour to £8.53 per hour in 2018/19.

Local authorities have some limited discretion to vary the rate between different providers within their area based on the types of children they support or the flexibility they offer parents. They can retain some funding to deliver their own work to support the free early education entitlement, such as raising awareness among parents or offering training to childcare providers. This is capped at five per cent of their total payment in 2018/19. There is also some additional funding for maintained (standalone) nursery schools.

There has been significant controversy about whether the rates paid for the 30 hour entitlement are adequate. At an individual provider level, this will depend on both how much it costs them to provide childcare and their funding rate from the local authority. Providers are allowed to charge for 'extras' such as lunch and other consumables, but parents must not be obliged to pay for extras or to pay for additional hours of childcare as a condition of taking up a free place.

Local authorities' views about the 30 hour extended entitlement

We asked English local authorities about their experience of the 30 hour entitlement during its first term of roll out on the childcare market in their local area. Most are unsure about the impact of the offer on prices, but where they have seen an impact it has tended to be towards a rise, particularly for three and four year olds outside the entitlement. Our price survey shows a price increase for two year olds and under, but this is also affected by factors other than the 30 hour entitlement.

Chart 3: local authority views on current impact of 30 hour entitlement on childcare prices

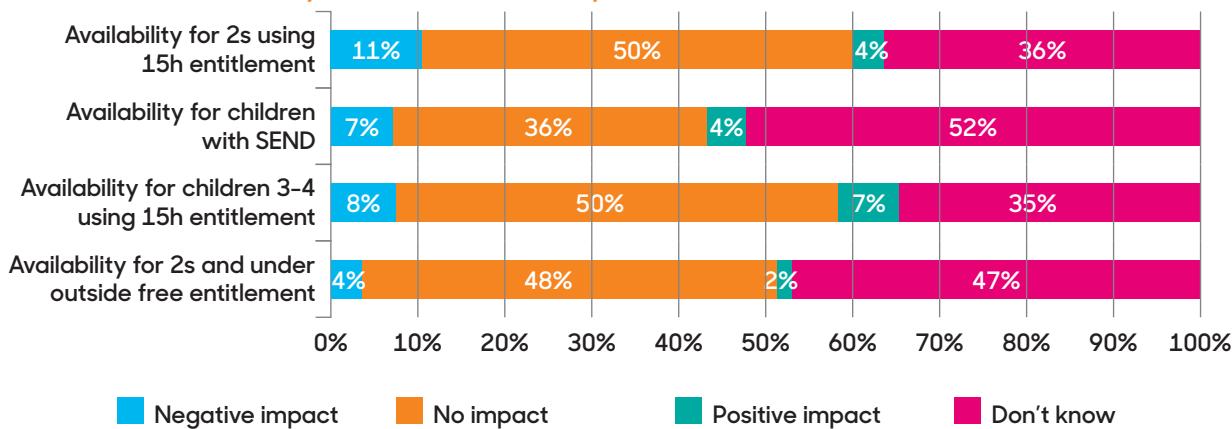


In general, local authorities have not seen much impact from the free entitlement on childcare availability, but one in ten are concerned that there are fewer places available for disadvantaged two year olds using the free entitlement. Some said that problems with supply could happen in the spring and summer, when demand for childcare is typically higher. There were also some concerns about reduced flexibility for three and four year olds only entitled to 15 free hours of care, who are typically from non-working or single earner families:

"We have some cases where children eligible for 15 hours cannot access the full 15 hours for free at the point of access due to provider delivery models which have become less flexible since the implementation of 30 hours", Yorkshire and Humber

"Feedback to date (from leaders and managers) has been that 30 hours take up will restrict funded two year old places in the next two terms", South West

Chart 4: local authority views on current impact of 30 hour entitlement on childcare availability



Local authorities generally see the impact of the free entitlement on providers' financial sustainability as mixed. They are perhaps slightly more optimistic now than when they were surveyed prior to the launch of the entitlement, when 44 per cent expected to see reduced financial sustainability of some settings. Some respondents reported greater financial sustainability for some settings, which was mostly attributed to the higher demand for childcare, or a more regular and reliable stream of income from local authorities rather than individual parents:

"Overall we imagine it will improve take-up of places and therefore more sustainability for providers", East Midlands

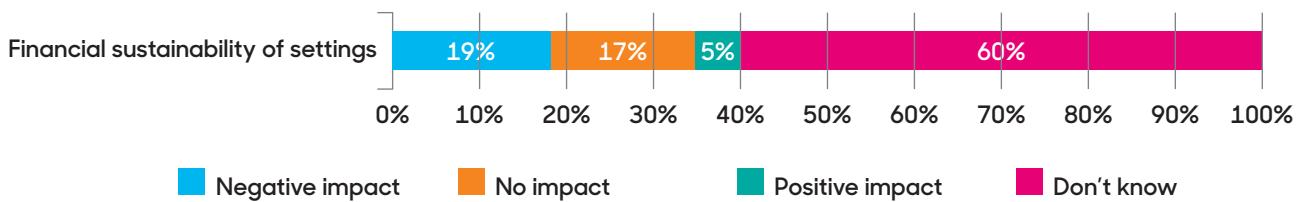
"Positive impact due to development of online portal [and] payments (regular), leading to greater sustainability", Outer London

Other respondents reported a more varied picture regarding the sustainability of local childcare providers, but some expressed concern that the free entitlement funding was too low across their whole area:

"The impact on financial sustainability is mixed with some providers being full for the first time for years and others complaining about the funding rate and lack of opportunity to make money outside of the funded hours", South East

"Due to the discrepancy of the true cost of offering childcare v funded rate from the LA [the 30 hour entitlement] has a significant negative impact on business sustainability", Inner London

Chart 5 local authority views on the current impact of the 30 hour entitlement on settings' financial sustainability

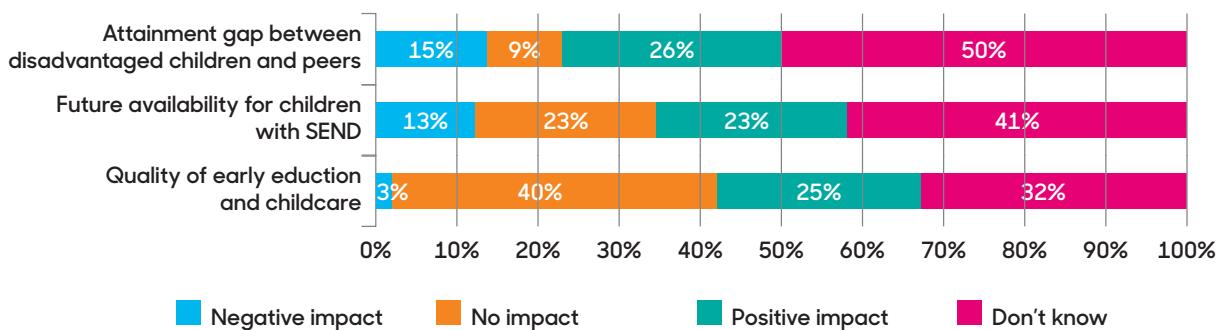


Some authorities reported that some providers were limiting the hours available for the extended entitlement, or considering withdrawing from the scheme altogether.

Looking to the future, authorities were generally neutral or positive about the impact of the 30 hour entitlement on the quality of early education, and on the availability of places for children with SEND. About a quarter of respondents expected to see a reduction in the attainment gap between disadvantaged children and their peers, and about a sixth expected to see an increase. There was concern about reduced availability of places for disadvantaged children, but some people were already seeing parents moving to work as a result of the entitlement and felt this would improve social mobility:

"We are hearing very positive feedback from school/PVI deliverers of 30 hours EE [early education], that more parents seem to be preparing to enter the employment market because of the childcare support available", East Midlands

Chart 6: local authority views on future impact of the 30 hour entitlement



We expect this mix of impacts to continue: it reflects the variation in levels of funding for the free entitlement, different demographics and historic differences in the types of childcare providers operating locally.

Section 3: Whether there is enough childcare

A: Childcare sufficiency – legal duties

Local authorities are required to manage the market for childcare in their local area, which means they need to know whether enough childcare is available for key groups. The precise rules vary between the nations of Great Britain:

- ▶ In England, local authorities have to audit childcare sufficiency annually, including considering the free early education entitlements, childcare for school age children, disabled children, and different types of families.
- ▶ In Scotland, local authorities have a statutory duty to consult with parents on the delivery of early education and childcare, and to publish a plan based on the results of their consultation.
- ▶ Welsh local authorities were required to produce a sufficiency assessment and action plan in 2017 and every five years thereafter, and report to the Welsh government annually through a progress update.

Because these duties are slightly different in different parts of the UK, we have presented sufficiency data separately for the three nations. This data is based on local authorities' assessments at the time of the survey, which may differ from their published Childcare Sufficiency Assessments if the local situation has changed since this was last published.

If local authorities do not have enough childcare in all areas, it does not necessarily mean that families will not be able to find childcare, but they may have to travel further to access the childcare they need.

B: Childcare sufficiency in England

The majority of English local authorities report having sufficient childcare in all parts of their area for the two 15 hour free entitlements – for two year olds and for three and four year olds. However, only 45 per cent say they have enough childcare for three and four year olds entitled to the 30 hour extended entitlement in the whole of their area, with 9 per cent saying they do not know or cannot tell from their data. The extended entitlement has only been available since September 2017 so authorities' assessments of sufficiency are likely to evolve. This is discussed in more detail in the section on new childcare entitlements above.

Outside of the free entitlements, sufficiency is generally higher for younger children. Half of local authorities have enough childcare in all areas for under twos, falling to a quarter for afterschool care for primary age children and one in eight for 12 to 14 year olds – almost half of authorities say they do not have enough data to say for this group. There are also significant sufficiency gaps for some of the most vulnerable groups: disabled children and families who work atypical hours – anyone who needs childcare outside of 8am to 6pm on a weekday, including many low-paid shift workers.

Table 8: childcare sufficiency in England, % local authorities

	Yes: in all areas	Yes: in some areas	No	Data not held or cannot tell
Children under two	50%	42%	1%	6%
Two year old free entitlement	50%	46%	0%	4%
Three and four year old 15 hour entitlement	67%	30%	0%	4%
Three and four year old 30 hour entitlement	45%	45%	1%	9%
5 to 11 year olds after school	26%	50%	3%	21%
12 to 14 year olds after school	15%	29%	9%	47%
Parents working full time	50%	40%	0%	11%
Parents working atypical hours	14%	49%	9%	29%
Disabled children	22%	49%	8%	22%
Families living in rural areas ⁴	21%	59%	2%	18%

Since 2017, sufficiency has not changed significantly in most of the major categories. There have been concerns that the roll out of the 30 hour entitlement will reduce sufficiency for other children: the small dip in sufficiency for under twos may be an early indicator of this, and it is possible that other issues will emerge over the next few years. There has been a modest increase in availability for disabled children, but three quarters of local authorities do not have enough availability for this group, and many local authorities have large information gaps.

Table 9: % English local authorities reporting they have enough childcare in all areas, 2017 and 2018

	2017	2018
Children under two	54%	50%
Two year old free entitlement	47%	49%
Three and four year old 15 hour entitlement	64%	67%
Three and four year old 30 hour entitlement	NA	45%
5 to 11 year olds after school	33%	26%
12 to 14 year olds after school	12%	15%
Parents working full time	52%	50%
Parents working atypical hours	13%	14%
Disabled children	18%	22%

There are also differences in sufficiency between different regions of England. Authorities in London (both inner and outer boroughs), the North East and the North West are more likely to report sufficiency in all areas for the free entitlements than those in other regions, whereas the South East and South West are less likely to report full sufficiency.

⁴ In this and subsequent tables, the rural families question only applies to local authorities which have rural areas

Table 10: % local authorities reporting they have enough childcare in all areas, by English region – early years

	Under two	Two year old free entitlement	Three and four year old 15h free entitlement	Three and four year old 30h free entitlement
East Midlands	50%	63%	75%	38%
East of England	36%	64%	64%	55%
London: Inner	42%	50%	83%	67%
London: Outer	42%	37%	53%	44%
North East	83%	75%	92%	50%
North West	65%	74%	87%	57%
South East	35%	24%	41%	29%
South West	29%	36%	43%	31%
West Midlands	58%	33%	67%	45%
Yorkshire and Humber	57%	50%	71%	36%

Table 11: % local authorities reporting they have enough childcare in all areas, by English region – other groups

	5 to 11 after school	12 to 14 after school	Disabled children	Parents working full time	Parents working atypical hours
East Midlands	38%	38%	13%	63%	25%
East of England	18%	9%	18%	36%	18%
London: Inner	36%	9%	18%	55%	9%
London: Outer	26%	5%	5%	42%	11%
North East	33%	17%	33%	67%	0%
North West	43%	30%	36%	65%	35%
South East	18%	6%	18%	35%	6%
South West	14%	7%	14%	29%	14%
West Midlands	27%	8%	33%	50%	0%
Yorkshire and Humber	7%	21%	23%	57%	14%

C: Childcare sufficiency in Scotland

Because statutory requirements in Scotland are different, authorities tend to have less knowledge than their English counterparts about childcare outside of the free entitlements. All local authorities who responded to our survey had information about their free entitlements. Sufficiency rates for the 600 hour free entitlement for two year olds and three and four year olds (broadly equivalent to the 15 hour offers) are higher than in England.

Table 12: sufficiency in Scotland, % local authorities

	Yes: in all areas	Yes: in some areas	No	Data not held or cannot tell
Children under two	24%	41%	3%	31%
Two year old 600 hour entitlement	62%	38%	0%	0%
Three and four year old 600 hour entitlement	86%	14%	0%	0%
5 to 11 year olds after school	10%	52%	7%	31%
12 to 14 year olds after school	0%	28%	14%	59%
Parents working full time	11%	57%	4%	29%
Parents working atypical hours	0%	38%	24%	38%
Disabled children	10%	28%	10%	52%
Families living in rural areas	11%	63%	5%	21%

Sufficiency rates for the free entitlements are broadly unchanged from 2017. Other areas have shown more volatility.

Table 13: % Scottish local authorities reporting they have enough childcare in all areas, 2017 and 2018

	2017	2018
Children under two	21%	24%
Two year old 600 hour entitlement	64%	62%
Three and four year old 600 hour entitlement	82%	86%
5 to 11 year olds after school	18%	10%
12 to 14 year olds after school	4%	0%
Parents working full time	25%	11%
Parents working atypical hours	11%	0%
Disabled children	18%	10%
Families living in rural areas	15%	11%

Because Scotland has relatively few local authorities (32, compared to 152 in England) changes in responses from a few authorities can make a noticeable difference to the overall figures.

D: Childcare sufficiency in Wales

2017 was the year that Welsh local authorities were required to produce a statutory five yearly Childcare Sufficiency Assessment. At the time of our last survey, not all local authorities had completed this, and this increased 'don't know/data cannot held' rates in the last report. This year, the proportion of local authorities answering saying that they do not know whether they have enough childcare has reduced: it is now broadly equivalent to England.

Sufficiency for the three and four year olds using universal free entitlement is broadly similar as England, and lower than in Scotland. Sufficiency for the Flying Start entitlement is higher than for the two year old scheme in England, and about the same as in Scotland – but the schemes are not strictly equivalent because Flying Start entitlement is based on area, whereas the English and Scottish offers are based on individual family circumstances. (For more details on the differences between the free offers, see Box 2 on page 10).

Table 14: sufficiency in Wales, % local authorities

	Yes: in all areas	Yes: in some areas	No	Data not held or cannot tell
Children under two	35%	60%	5%	0%
Flying Start areas	65%	30%	0%	5%
Three and four year old universal entitlement	60%	35%	5%	0%
5 to 11 year olds after school	24%	65%	6%	6%
12 to 14 year olds after school	6%	29%	29%	35%
Parents working full time	50%	44%	0%	6%
Parents working atypical hours	0%	35%	53%	12%
Disabled children	18%	47%	18%	18%
Families living in rural areas	13%	40%	33%	13%

Seven local authorities in Wales are piloting a 30 hour entitlement for three and four year olds. Within these authorities, certain areas have been chosen as initial sites. Because this is a fairly small-scale pilot, we are not presenting data on sufficiency for these areas.

Table 15: % Welsh local authorities reporting they have enough childcare in all areas, 2017 and 2018

	2017	2018
Children under two	29%	35%
Flying Start areas	44%	65%
Three and four year old universal entitlement	50%	60%
5 to 11 year olds after school	12%	24%
12 to 14 year olds after school	0%	6%
Parents working full time	17%	50%
Parents working atypical hours	0%	0%
Disabled children	0%	18%

Reported sufficiency in Wales has increased in most categories since 2017. This is at least in part driven by the lower 'don't know' rate so it is hard to say whether it reflects real change for families.

Methodology

Note on tables: Percentages in all tables may not add up to 100 per cent due to rounding.

Timescales

This report is based on surveys sent to all Family Information Services at local authorities in November 2017. Respondents were able to fill in a form or reply online. After a month, we sent Freedom of Information requests to those local authorities which had not responded. The questions about the impact of the 30 hour entitlement in England were not included in the Freedom of Information requests. The deadline for Freedom of Information requests was in late January.

Authorities who responded without the need for a Freedom of Information request were promised that individual responses would not be published, with only regional/national averages provided in the report. This is consistent with previous surveys, and we do it to encourage honest and accurate data reporting. When Freedom of information requests are used, some local authorities automatically publish their own responses, so we cannot make the same promise. However, we do not report these Freedom of Information individual responses in this report, and nor do we say which responses were acquired through Freedom of Information requests and which through surveys.

Data sources

Average, maximum and minimum childcare prices are provided by local authorities rather than being calculated by the Family and Childcare Trust from information directly from providers. Similarly, assessments of sufficiency are provided by local authorities rather than being based on data collected by the Family and Childcare Trust research team.

Where possible, we have kept questions consistent with previous versions of the survey to allow for tracking over time. However, we have made some changes to reflect the changing policy environment and in response to feedback from both survey respondents and organisations who use the data. We used slightly different surveys for local authorities in England, Scotland and Wales to reflect the different policy environments in the three nations.

Key changes for the 2018 survey were:

- ▶ A change to the format of the question on prices for three and four year olds, so local authorities could answer either about costs before the free entitlements were taken into account, or after they were taken into account. This change was made on the basis of feedback from local authorities, who told us that they held this data internally in different ways.
- ▶ A new question on sufficiency for the 30 hour extended entitlement in England, and for authorities which were piloting the offer in Wales.

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- ▶ Questions on the proportions of providers offering tax free childcare and (where applicable) the 30 hour extended entitlement.
 - ▶ New questions on the impact of the 30 hour extended entitlement in England, replacing the questions on expected impact which were asked in 2017.
 - ▶ Removal of the question on Duty to Consult on childcare in Scotland.

Response rates

We received responses from 94 per cent of local authorities. The lowest response rate for any region was 86 per cent. Some local authorities did not give data for all questions, or gave data in a format that we could not use. The effective response rate for the price questions was therefore between 83 per cent and 90 per cent, with the exception of the question about after-school childminders, for which it was 68 per cent. The response rate for the questions on 30 hour impact, which were only asked of English local authorities, was 77 per cent. This is because these questions were not subject to Freedom of Information requests.

Weighting

In line with the 2016 and 2017 surveys, we have weighted cost data within regions and nations. This ensures that results from small local authorities which have relatively little childcare do not unduly influence overall results. Data on pre-school childcare is weighted against the 0-4 population based on ONS mid-year population estimates, and data for school-age childcare is weighted against the 5-11 population. Within local authorities, we have weighted cost data for PVI and maintained setting providers against the number of providers in that area. This is based on an assumption that the types of settings will have the same number of children on average. Childminder cost data is presented separately and not as part of the local weighted average for non-domestic settings. This is because of difficulties accurately estimating the number of children using childminders as opposed to non-domestic settings on a local level, and the unique role childminders play in the market. We used a slightly different method for weighting the responses on availability of the 30 hour extended entitlement – this is described in Section 2.

Tracking change over time

Our comparison does not include any use of childcare subsidies through tax free childcare or the benefits system.

When comparing prices over time, we have only included local authorities where we have data for both 2017 and 2018. This is to avoid results being skewed by different local authorities having missing data year-on-year. Where we saw unusually large increases or decreases, we checked with local authorities if there had been errors in the data they gave us or our interpretation of it.

Changes are weighted against this year's population data as described above. In some cases, we received 2017 data after the survey deadline for the year, but 2018 data within the deadline: in these cases, we have included the data in this years calculations although they do not appear in the 2017 survey. This approach produces slightly different results to comparing regional weighted prices from the 2017 survey to regional weighted prices in the 2018 survey – we believe it gives a more accurate reflection of the changes experienced by families.

Data we do not collect

We do not collect data on the costs and availability of nannies and au pairs. This is because this data is not held by local authorities, and because they are used by a very small proportion of the population. Necessarily, the survey also excludes all types of informal childcare (e.g. grandparents, friends, babysitters). Information on families' use of formal and informal childcare can be found in the Department for Education's report series Childcare and Early Years Survey of Parents – the latest edition is for 2017. We exclude Northern Ireland because the childcare funding system is very different, making it hard to draw direct comparisons.