

Childcare Costs Survey 2011



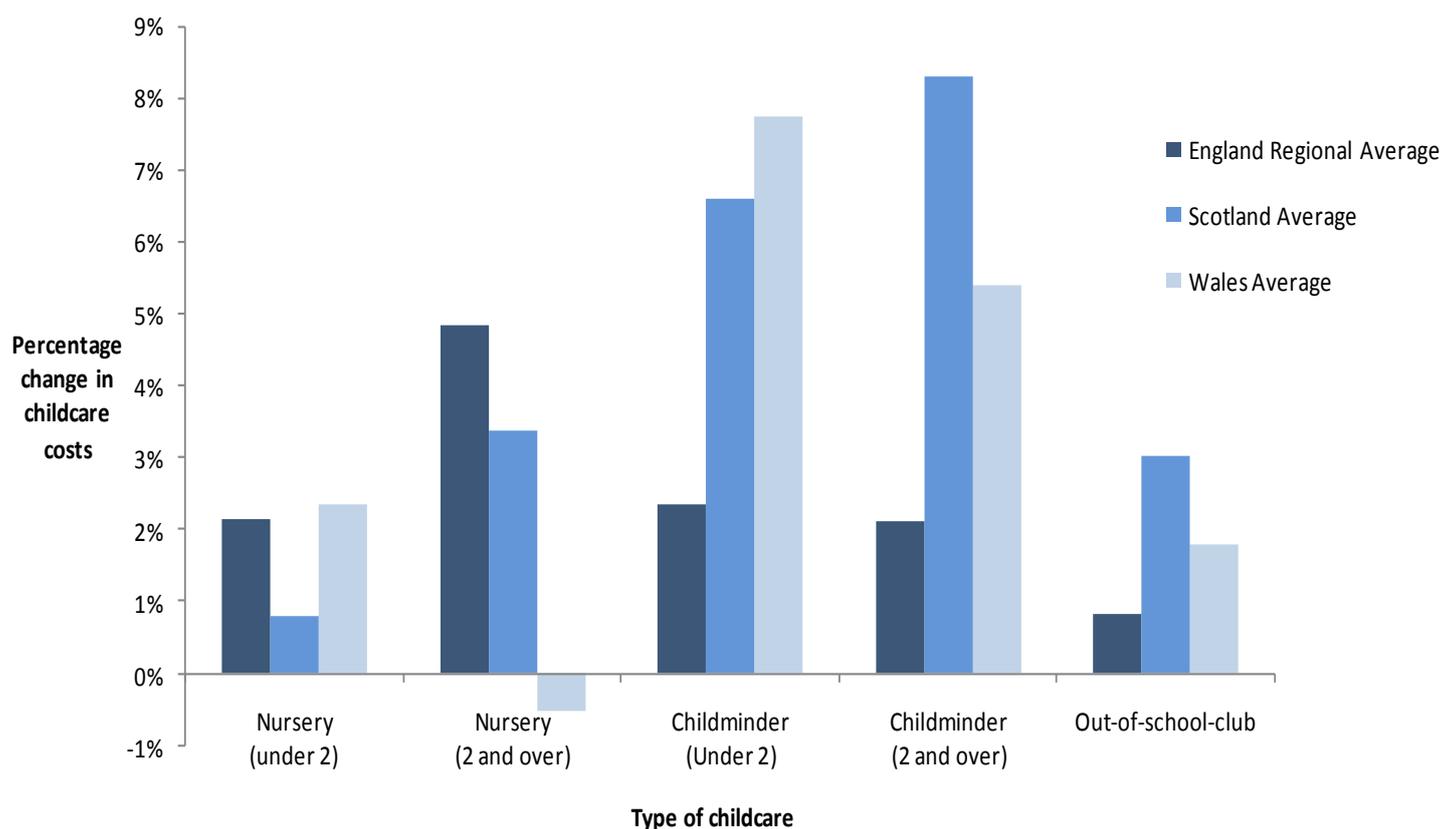
Each year, Daycare Trust conducts a survey of local authority Family Information Services (FIS) to find out the average cost of different forms of childcare across Britain, and the availability of childcare for different groups of parents. The aim of the research is to provide information for parents, childcare providers, researchers and government, and to help inform policy development. The survey enables us to analyse the differences in costs between regions, and how costs are changing over time. This is the tenth annual childcare costs survey conducted by Daycare Trust.

Key Findings

- Daycare Trust's Childcare Costs Survey 2011 found significant increases in the cost of all forms of childcare. Average nursery costs increased in England and Scotland. In Wales, nursery places for children under two fell slightly but increased for those aged two and over.
- Costs in London and the South East of England remain the highest in Britain for all forms of childcare for pre-school children.
- There are significant variations in costs between English regions – with the average cost of a nursery place for a child aged under two varying by £35 per week depending on location.
- Average nursery and out-of-school childcare costs are higher in Scotland than England and Wales.
- Average childminder costs increased in 2010, particularly in Scotland and Wales.
- The average cost of a childminder was very similar across all countries but varied significantly between English regions.
- Childcare for children under two remains more expensive than that for children aged two and over.
- The average yearly expenditure for 25 hours of nursery care per week for a child under two stands at £5,028 for parents in England, £5,178 for parents in Scotland and £4,723 in Wales.
- The average yearly cost of 25 hours care from a childminder for a child under two stands at £4,670 in England, £4,664 in Scotland and £4,687 in Wales.
- The most expensive nursery reported by a FIS was located in the West Midlands, costing £11 per hour. Parents using this nursery for 25 hours per week could therefore conceivably pay £14,300 per year.
- Some 60 per cent of Family Information Services said that parents had reported a lack of available childcare in their area during the last twelve months – slightly more than last year.
- FIS also reported a lack of childcare across the board, with particular problems faced by parents of children aged 12 and over and those with a disability or special educational needs.

Table 1: Average childcare costs (rounded to the nearest pound)

Region/Country	Nursery (under 2)	Nursery (2 and over)	Childminder (under 2)	Childminder (2 and over)	Out-of-school club
London	£119	£113	£119	£116	£43
South East	£116	£114	£96	£96	£42
South West	£96	£96	£91	£91	£48
East of England	£90	£90	£91	£89	£42
West Midlands	£98	£94	£85	£82	£49
East Midlands	£90	£87	£84	£83	£45
Yorks & Humber	£89	£85	£82	£81	£45
North West	£83	£79	£77	£73	£47
North East	£91	£88	£84	£84	£44
England Regional Average	£97	£94	£90	£88	£45
Scotland Average	£100	£98	£90	£88	£50
Wales Average	£91	£89	£90	£90	£39
Britain Average	£96	£94	£90	£88	£45

Figure 1: Change in childcare prices, 2010-2011¹

Childcare costs in England

Table 2: Percentage change in childcare costs in England

Nursery (under 2)	Nursery (2 and over)	Childminder (under 2)	Childminder (2 and over)	Out-of-school club
2.1%	4.8%	2.3%	2.1%	0.8%

On average, parents in England can expect to pay £97 per week for 25 hours nursery care for a child under two years of age and £94 for a child aged two and over. This equates to £3.87 and £3.76 per hour respectively. Nursery places for children aged two and over showed the most significant rise in costs, increasing by 4.8 per cent or 16p per hour. The most expensive region for nursery care is London, with an average cost of £119 for 25 hours care for a child under two, or £4.74 per hour. The North West was the cheapest region with an average cost of £3.17 per hour, or £79 for 25 hours care for a child aged two and over.

Whilst nursery places in London remain the most expensive in Britain, costs have remained relatively stable in the capital over the past twelve months, falling by 0.5 per cent for a child under two. Other regions have experienced a significant rise in nursery costs, such as the West Midlands and South West where average costs for a nursery place for a child under two have risen by 12 per cent and 7.1 per cent respectively. Consequently, the gulf in nursery prices between London and the rest of the country has narrowed somewhat.

The average cost of a childminder was £90 for a child under two and £88 for a child aged two and over (£3.59 and £3.53 per hour respectively).

Regional variation was also found for childminder costs, with average costs ranging from £77 for 25 hours care for a child under two in the North West to £119 in London.

At the national level, average out-of-school club costs remained almost unchanged from the previous year at an average of £3 per hour, or £45 for fifteen hours per week. However, significant fluctuations were observed at the regional level with costs rising 25 per cent in the West Midlands (to an average of £3.27 per hour) and falling by 14.1 per cent and 11.4 per cent in the South East (£2.81

per hour) and East Midlands (£3.01 per hour) respectively.

Childcare costs in Scotland

Table 3: Percentage change in childcare costs in Scotland

Nursery (under 2)	Nursery (2 and over)	Childminder (under 2)	Childminder (2 and over)	Out-of-school club
0.8%	3.4%	6.6%	8.3%	3.0%

Compared with last year, nursery costs in Scotland have witnessed moderate growth, rising by 0.8 per cent for children under two and 3.4 per cent for children aged two and over. These increases mean that parents in Scotland now face an average nursery cost of £100 for 25 hours per week (£3.98 per hour) for a child under two and £98 (£3.90 per hour) for a child aged two and over.

The cost of a childminder in Scotland has risen more significantly than that of a nursery place – by 6.6 per cent for children aged under two and 8.3 per cent for children aged two and over. Average costs for a childminder in Scotland now stand at £90 for 25 hours (£3.59 per hour) for children aged under two and £88 (£3.50 per hour) for children aged two and over.

Out-of-school club costs in Scotland increased by 3 per cent in the past year, more than in England and Wales. This growth results in an average cost of £50 for 15 hours out-of-school care in Scotland, or £3.30 per hour. As a result, parents in Scotland continue to face higher average costs for out-of-school clubs than their counterparts in England and Wales.

Childcare costs in Wales

Table 4: Percentage change in childcare costs in Wales

Nursery (under 2)	Nursery (2 and over)	Childminder (under 2)	Childminder (2 and over)	Out-of-school club
2.4%	-0.5%	7.7%	5.4%	1.8%

Average nursery costs in Wales remained lower than in England and Scotland, rising by 2.4 per cent for children under two and falling by 0.5 per cent for children aged two and over. As a result of these changes, the average price of 25 hours nursery care for a child under two in Wales is £91 (£3.63 per hour) and £89 for a child aged two and over (£3.57 per hour).

Childminders in Wales cost an average of £90 for 25 hours per week (£3.61 per hour) for a child under two and £90 (£3.59 per hour) for a child aged two and over. These costs have risen 7.7 per cent for a child under two and 5.4 per cent for a child aged two and over.

The average cost of out-of-school clubs in Wales increased by 1.8 per cent to £39 over the past year. As such, out-of-school clubs in Wales remain less expensive than those in England and Scotland at an average of £2.62 per hour.

Availability of childcare

The Childcare Act 2006 states that English and Welsh local authorities must secure sufficient childcare to enable parents to work or undertake education or training that may facilitate their path into work. In short, this means that local authorities are duty bound to manage and support local childcare markets, stepping in where necessary to fill the gaps not being met by PVI (private, voluntary and independent) sector providers.

This legislation enshrined the previous Government's commitment to providing families with adequate childcare facilities to meet their needs, as evidenced by a 50 per cent growth in the number of Ofsted registered full daycare places and a 65 per cent growth in the number of

Ofsted registered after-school-club places between 2003 and 2009.ⁱⁱ

However, the Spending Review in October 2010 outlined a 28 per cent reduction in local authority budgets over the next four years. While the impact of these cuts will not be fully realised for some time, the findings presented here represent an early insight into the potential impact of local authority budget reductions on local childcare landscapes.

Against this backdrop, **60 per cent of Family Information Services** in Britain said that parents had reported a lack of childcare in their area during the past 12 months, a slight increase on last year's figure of 58 per cent.

This does not tell us how many parents are struggling to find childcare since we do not ask FIS how many parents they are referring to. Government research, however, suggests that around one in six parents who are not currently using formal childcare cite as lack of available childcare as the main reason for this.ⁱⁱⁱ

A particular increase was observed in England where 61 per cent of FIS in stated that parents had reported a lack of childcare in the past 12 months - up from 54 per cent last year.

Table 4: Have parents reported a lack of childcare in the past 12 months?

	Yes	No	Don't Know
England	61%	28%	11%
Scotland	64%	21%	14%
Wales	50%	36%	14%
Total	60%	28%	12%

It should also be noted that a number of FIS reported anecdotally that parents had complained about a lack of *affordable* childcare in their area, which may reflect a change in the type of places available, or in parents' perceptions of their ability to pay for childcare because of other pressures on family finances.

Table 6: Is there sufficient childcare in your area for the following groups?

	Yes	In most of the authority	In parts of the authority	No	Don't know
0-2 year olds	36%	36%	16%	3%	9%
3-4 year olds	42%	33%	14%	3%	9%
5-11 year olds	28%	34%	25%	5%	9%
12 - 14 year olds	14%	21%	28%	23%	14%
Disabled children	11%	23%	31%	23%	12%
Parents working full-time (i.e. 9am-5pm)	44%	29%	14%	2%	11%
Parents working atypical hours (i.e. outside 9am-5pm, Monday to Friday)	12%	19%	38%	18%	13%
Parents who are studying or training	34%	31%	13%	9%	14%

Under the Childcare Act 2006 local authorities in England and Wales have been required to conduct childcare sufficiency assessments to determine the supply of, and demand for childcare in their area.

The information gathered is then used to identify gaps in provision that need to be filled. New sufficiency assessments are due for publication in 2011 and much of the information collated for these has fed into Table 6, which shows FIS perceptions of local childcare coverage for selected groups. Anecdotally we have heard that some local authorities have already scaled back their sufficiency assessments because of budget pressures. Day-care Trust believes this would be short sighted as poorer quality information about the supply of, and demand for childcare in their area will lead to a less well functioning local childcare market, which will mean that it is less able to meet the needs of parents and local employers.

The figures make it apparent that significant gaps exist in childcare provision, despite the expansion in the number of places in recent years. It is striking that there is no group of children or parents for whom the majority of FIS feel confident that sufficient childcare exists across their entire authority.

The group for which FIS feel there is the greatest sufficiency is 3-4 year olds, with 42 per cent of respondents reporting a sufficient number of places across their authority and a further 33 per cent in most of their authority. This is likely to reflect the statutory duty to provide 15 hours of free early education for this group, which has led to significant investment in the number of places and high take up among families.

One of the groups for which the picture is more worrying is disabled children. Only 11 per cent of FIS stated that there is sufficient childcare available in their authority for these children, with a further 23 per cent reporting sufficient provision in most of the authority. Another group which are left out of the existing market are parents working atypical hours, i.e. outside of 9am-5pm, Monday to Friday. Just 31 per cent of FIS believe there is sufficient childcare to meet the needs of these parents in most or all of their area.

The availability of childcare for school-age children also remains low. Only 28 per cent of FIS saying that sufficient childcare existed across their entire local authority for primary school age children (62 per cent in most or all of the authority). For secondary school age children the picture is even worse, with just 14 per cent reporting sufficient

childcare in the whole authority, and a further 21 per cent in most of the authority. Nearly one in four (23 per cent) reported that they did not have sufficient childcare for secondary school age children or disabled children.

The impact of high childcare costs

This year's survey comes at a time when families in Britain are facing rising costs in many other areas, with inflation during 2010 standing at 3.7 per cent.^{iv} With significant rises in food and fuel prices in particular, families are likely to be feeling the squeeze, especially since the average rise in earnings in the year to November 2010 was just 2.1 per cent, and many people will see no pay rise at all this year.^v Daycare Trust is concerned that rising childcare costs may make the choice to continue in work more difficult for some parents, particularly mothers.

For some families their family budgets will be further squeezed by the forthcoming cuts in tax credits, with the amount of childcare costs that can be paid being reduced from 80 per cent to 70 per cent in April 2011. This will cut childcare support by an average of around £500 per year for those affected, a majority of whom are lone parents. Other changes, such as the freezing of Child Benefit and the basic element of Working Tax Credit, will see the real value of family incomes falling at a time when their costs continue to rise.

Why are costs going up?

Through its series of annual costs surveys, Daycare Trust has observed year-on-year rises in childcare costs at a level above the rate of inflation. As such, increases in costs cannot easily be explained by reference to general inflationary pressures. That is not to say, however, that inflation does not impact upon childcare costs. In the previous year the inflation rate for food was 6.1 per cent, and it was 9.2 per cent for non-alcoholic beverages. This will have had an impact on operating costs at settings where meals are provided. Providers cite rising running costs – for example rising rents or other charges – as a problem for the sustainability of their businesses.

In a recent survey of childcare providers in London, 36 per cent of respondents reported rising running costs as a result of the recession.^{vi}

Daycare Trust also recognises the financial impact of the drive to improve the quality of childcare provision. Data from the Department for Education shows an increasingly well-qualified childcare and early years workforce – an essential component of high quality childcare provision that can effectively deliver positive outcomes for children.

From 2006 to 2009, the number of staff in full daycare settings with at least a level 3 qualification increased from 72 per cent to 82 per cent. The corresponding figures for childminders and out-of-school clubs have also increased from 38 per cent to 49 per cent and 51 per cent to 60 per cent respectively.^{vii}

Although there is no available data to verify if this upward trend has continued into 2011, it could be suggested that the improvement of the early years workforce has contributed to the increased costs for providers, despite support from the Government for these improvements, for example through the Graduate Leader Fund. Whilst Daycare Trust supports the improvement in the quality of the early years and childcare workforce, we do not believe that these costs can be met entirely by parents, and believe that the Government must continue to invest in a quality workforce. Previous Daycare Trust research has modelled how Britain could move to a truly high quality childcare system, how much it would cost and has also set out options for funding it, which included contributions both from parents and the state.^{viii}

Paying for childcare

A recent report by the OECD suggests that childcare costs in the United Kingdom account for 33 per cent of net family income – more than any of the other 26 countries analysed in the study – even after accounting for government support. By comparison, childcare costs accounted for just 19 per cent of net family income in the USA, 11 per cent in France and 8 per cent in Germany, with an average across all countries of 13 per cent.^{ix} A Department for Education survey of nearly 7,000 parents demonstrated the impact of these figures as 36

per cent of parents reported holding 'poor' perceptions of the affordability of childcare in their local area.^x

Despite these circumstances, there are several ways that parents can get help with their childcare costs. Families are currently able to claim up to 80 per cent of their childcare costs through the childcare element of Working Tax Credit. Unfortunately, this is being reduced to 70 per cent from April 2011, and longer term it will be replaced by the Universal Credit.

This will include support for childcare, although at the time of writing it is not yet known what form this support will take or the level of support which will be available.

Alternatively, parents may be able to access employer-supported childcare schemes which can save up to £904 per year for basic rate tax payers and £1,196 per year for higher rate tax payers. The amount that can be saved by higher rate tax payers who join the scheme from April 2011 will be reduced to £608 a year.

Additionally, all three and four year old children in Britain are entitled to some free early years education, although the specifics of this offer vary by country. In England, children are entitled to 570 hours free provision per year. This is to be taken over no fewer than 38 weeks at 15 hours per week, although it may be stretched over a longer period by using fewer hours per week if agreed with the childcare provider.

Children in Scotland are entitled to 475 hours free early years education per year, typically allocated as 2.5 hours

a day for a total of 12.5 hours a week.

In Wales, all three and four year old children are eligible for a free part-time Foundation Phase place. This is typically delivered as ten hours per week for around the same number of weeks as the school year, although some local authorities offer more.

From 2013, this entitlement will be extended with all 152 local authorities in England providing 15 hours free entitlement to the most disadvantaged two year olds, with around 130,000 places available.

For further information on how to get help with childcare costs, accessing free early years education and all other childcare enquiries, call Daycare Trust's information line on 0845 872 6251 or visit www.payingforchildcare.org.uk.

Methodology

Daycare Trust sent a survey to all Family Information Services in England and Wales, and Childcare Information Services in Scotland, in November 2010. The overall response rate was 58 per cent. All regional response rates were 56 per cent or above, with the exception of the East of England and the South East at 45 per cent and 41 per cent respectively.

Daycare Trust would like to thank Family Information Services and Childcare Information Services for completing the survey.

i Percentage change calculations are made using figures for 50 hours childcare to ensure accuracy as costs were previously collated for 50 hours childcare only

ii Department for Education (2010) *Childcare and Early Years Providers Survey*, London: Department for Education

iii Department for Education (2010) *Childcare and Early Years Survey of Parents*, London: Department for Education

iv Inflation measure used is Consumer Price Index (CPI) – see <http://www.statistics.gov.uk/cci/nugget.asp?id=19>

v Office for National Statistics (2011) *Labour Market Statistics*, available at <http://www.statistics.gov.uk/pdfdir/lmsuk0111.pdf>

vi Daycare Trust (2010) *London Childcare Providers Survey 2010*, London: Daycare Trust

vii Department for Education (2010) *Childcare and Early Years Providers Survey*, London: Department for Education

viii Goddard and Knights (2009) *Quality costs: paying for early childhood education and care*, London: Daycare Trust

ix OECD (2010) *Gender Brief*

x Department for Education (2010) *Childcare and Early Years Survey of Parents*, London: Department for Education

Recommendations

The Childcare Costs Survey 2011 has shown gaps in childcare provision for certain groups and increases in the cost of all forms of childcare at a time when family resources are being increasingly stretched. Daycare Trust therefore makes the following recommendations to central Government and local authorities.

- Local authorities should prioritise early years and childcare services when finalising their budget decisions for 2011/12 in the coming weeks. In particular they should ensure that the entire Sure Start budget is spent on its intended purpose, and should also use other parts of the Early Intervention Grant to support families with the cost of childcare. They should also continue funding part-time early education childcare places for disadvantaged two year olds in preparation for the new statutory entitlement in 2013, and should work with schools to ensure that wraparound childcare is available for primary and secondary school age children.
- Local authorities in England and Wales should complete their Childcare Sufficiency Assessments thoroughly, using the information gathered to fill gaps in provision in their area. The focus will vary locally, but they should prioritise school age and disabled children.
- Government should increase the level of subsidy available to childcare providers to incentivise and support them to raise quality levels (largely through improving staff qualifications and pay) without passing on cost increases to parents. Over the longer term we believe that Government should increase spending on childcare and early years education to 1% of GDP in order to achieve high quality across the board.
- Government should reverse the decision to reduce the proportion of childcare costs covered by the childcare element of Working Tax Credit from 80 to 70 per cent in April 2011.
- Government should ensure that the new Universal Credit provide a level of assistance for families for childcare costs that ensures that they are better off by moving into work or by working extra hours, and that is simpler to understand than the current tax credit system.
- Over the longer term Government should move towards greater supply-side funding of childcare through extending provision of free entitlement to all two, three and four year olds and increase the number of hours available to 20 hours by 2020. This would both maximise the child development benefits and provide greater support for parents requiring childcare in order to work.

Daycare Trust is the national childcare charity. Established in 1986, we lead the national childcare campaign by producing high quality research and information, developing credible policy recommendations. We campaign for quality, accessible, affordable childcare for all and raising the voices of children, parents and carers. Our advice and information on childcare issues assists parents and carers, providers, employers, trade unions and policymakers.

Daycare Trust offers a range of services which include:

Childcare information line 0845 872 6251

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Cost £45

February 2011

ISBN: 978-1-907305-07-8

Daycare Trust is a registered charity: 327279 and a company limited by guarantee: 02063604, registered in England and Wales. VAT registered: 830 9847 06.

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