

Childcare costs survey 2009

This is the eighth annual childcare costs survey conducted by Daycare Trust, the National Childcare Campaign



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Table 1: Childcare costs in Britain

Region	Nursery (under 2)	Nursery (2 and over)	Childminder (under 2)	Childminder (2 and over)	Out-of-school club
Inner London	£226	£200	£196	£180	£40
Outer London	£192	£177	£189	£175	£52
South East	£199	£182	£173	£177	£40
South West	£161	£153	£165	£163	£36
East of England	£168	£158	£163	£158	£37
West Midlands	£146	£141	£115	£112	£40
East Midlands	£141	£135	£139	£135	£44
Yorks & Humber	£148	£139	£144	£143	£36
North West	£145	£137	£131	£130	£37
North East	£144	£136	£149	£149	£40
England Regional Average	£167	£156	£156	£152	£40
Scotland Average	£158	£143	£155	£154	£49
Wales Average	£146	£142	£150	£148	£41

Compiled from a survey of 136 out of 200 Family Information Services (FIS)¹ in England, Scotland and Wales (68 per cent response rate), based on 50 hours a week in a nursery and 15 hours a week at an out-of-school club.

This year's survey shows that nursery costs continue to rise in England, Scotland and Wales, whilst childminder costs have increased in England and Scotland but remained roughly static in Wales. Out-of-school childcare costs have increased dramatically in Scotland and Wales, although they have declined slightly in England. Parents also continue to report a lack of affordable childcare in their area. Additionally Family Information Services report that there is still a lack of sufficient childcare to meet demand in many areas – particularly childcare for disabled children and children aged 12 and over.

The 2009 survey results

Once again the survey has found above inflation increases in costs for pre-school childcare in England and Scotland, and out-of-school care in Scotland and Wales. The rise in nursery costs has been led by very large increases for Inner London and the South East with costs remaining roughly static or even decreasing in other areas. Childminder costs went up in almost all parts of the country and nurseries continue to be more expensive than childminders in England. Out-of-school club costs went down slightly in England although they soared in Wales and Scotland. The yearly cost of a typical nursery place for a child under two is now £8,684 in England, £8,216 in Scotland and £7,592 in Wales.

Costs in England

Table 2a: Yearly percentage shift in childcare costs in England (Inflation = 3.1%)

Nursery (under 2)	Nursery (2 and over)	Childminder (under 2)	Childminder (2 and over)	Out-of-school club
5.0%	4.6%	8.3%	7.0%	-7.0%

Childcare costs for pre-school children in England continue to rise, although at a slower pace this year. However, as in every year since Daycare Trust began publishing its costs survey in 2001, the increase in fees for nurseries has surpassed the rate of inflation. Our annual survey shows that a typical full-time nursery place for a child under two is now £167 per week. This compares with average earnings of £479 per week.² The costs have increased by 5 per cent in the past twelve months, whereas inflation currently stands at 3.1 per cent.³

As in previous years, the highest childcare costs were found to be in London and the South East where typical costs ranged from £173 to £226 a week. Parents paying the highest reported costs could be paying as much as £400 a week or £20,800 a year.

In general, regions in the Midlands and the North of England overall had substantially lower cost childcare than elsewhere in England. For group care the East Midlands reported slightly lower childcare costs than other areas. The West Midlands (found to have the lowest costs last year) reported cheaper childminder places than any other region.

Reflecting previous trends, fees for childminders in most areas were slightly lower than nursery fees overall with an average rate of £156 for a child aged under two and £152 for a child two and over. Although these increases were slightly further above inflation at 8 per cent and 7 per cent respectively, and childminder fees in general experienced steeper increases in most areas compared to nurseries.

The cost of an out-of-school club place has declined by 7 per cent over the year. Several local authorities – particularly those in London – indicated that they offered subsidised out-of-school places in certain circumstances, such as for disadvantaged children.

Costs in Scotland

Table 2b: Yearly percentage shift in childcare costs in Scotland (Inflation = 3.1%)

Nursery (under 2)	Nursery (2 and over)	Childminder (under 2)	Childminder (2 and over)	Out-of-school Club
12.0%	11.7%	11.5%	9.2%	28.9%

Scotland has seen big rises in childcare costs across the board. The cost of a nursery place for an under two year old has soared by 12 per cent to £158 and also by 12 per cent to £143 for a child two years or over.

The cost of a childminder has also increased substantially, by 11.5 per cent for a child under two and 9 per cent for two years and over.

Out-of-school childcare experienced a dramatic increase of 29 per cent and now stands at £49.

Costs in Wales

Table 2c: Yearly percentage shift in childcare costs in Wales (Inflation = 3.1%)

Nursery (under 2)	Nursery (2 and over)	Childminder (under 2)	Childminder (2 and over)	Out-of-school Club
2.8%	0.7%	-2%	-2%	13.9%

Nursery costs in Wales increased only slightly for children under two from £142 to £146 – a 3 per cent increase on last year. A place for children over two remained roughly static at £142 (increasing by just £1 a week).

There were, however, slight decreases in the cost of childminders with the cost for a child under two decreasing from £153 to £150 and the cost for a child over two also coming down from £151 to £148. This has also helped to push the cost of a childminder in Wales back below the cost in England after it had been more expensive last year.

The cost of an out-of-school club in Wales, though, increased by 14 per cent to £41.

The increasing cost of childcare

Nursery costs in England have steadily risen over the course of the past decade. It is not entirely clear what is causing this persistent increase. Presently staffing represents 80 per cent of providers' costs, but a recent report by Daycare Trust – *Raising The Bar* – has shown that workers in childcare are still among the most poorly paid in the entire children's workforce.⁴ Daycare Trust would speculate on the basis of reports from local authorities and providers that one factor which appears to be emerging is the cost of premises. Many settings have

in the past benefited from low fee tenancy arrangements or peppercorn rents. However, anecdotal evidence suggests that local authorities are under pressure to recoup market-rate income from property, which has had a knock on effect for some childcare providers. It is believed this effect has been particularly prevalent in Inner London and the South East, which have experienced the largest increases in childcare costs this year – although Outer London has actually seen costs decrease slightly.

It is also possible that the high price of utilities last year have played a part in forcing overheads up for some settings. There has also been some redistribution of certain funding streams in recent years – such as Neighbourhood Nurseries Initiative and the New Opportunities Fund – as well as an expanding number of places (particularly in out-of-school care) which may be stretching local authority resources and subsidies more than in previous years and thus having a knock on effect for direct costs to parents.

Beyond London and the South East, however, costs in England do seem to have largely remained static or even decreased in some areas. In Wales nursery costs also appear to have levelled out somewhat after a steep rise last year, although conversely costs in Scotland have increased sharply after a slight decrease last year.

Childminder costs have also risen steadily over recent years. In Scotland and Wales this still represents the most expensive form of childcare. In England childminders have often been slightly cheaper than nursery childcare, and this trend has continued in 2009.

Out-of-school care costs have fluctuated in all three nations over recent years and continue to do so in 2009.

Availability of childcare

In spite of increases in the supply of childcare over recent years, the childcare costs survey found that just over two-thirds (69 per cent) of Family Information Services (FIS) in England and Wales said that parents had reported a lack of childcare in their area in the last 12 months – this was a similar total to last year (70 per cent).⁵

In 2007/08 local authorities in England and Wales were required to conduct Childcare Sufficiency Assessments to ascertain how far the supply of childcare provision in their area meets demand.⁶ Table 3, below, shows the response to a series of questions about this.

Table 3: Have parents reported a lack of childcare in the last 12 months?⁷

Yes 82 (69%)	No 22 (19%)	No Response 14 (12%)
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Table 4: Is there sufficient childcare in your area for...?⁸

	Yes	No	Don't Know	No Response
All children	24 (20%)	54 (46%)	8 (7%)	32 (27%)
Under 5s	61 (52%)	32 (27%)	4 (3%)	21 (18%)
5-11 year olds	46 (39%)	43 (36%)	8 (7%)	21 (18%)
12+ year olds	16 (14%)	70 (59%)	14 (12%)	18 (15%)
Disabled children & children with SEN	20 (17%)	66 (56%)	14 (12%)	18 (15%)

The responses show that whilst most local authorities are confident that they have sufficient childcare places for the under fives, there are problems with the sufficiency of places for older children and those with disabilities. Moreover the sufficiency of places appears to be worsening when compared with last year's figures. Daycare Trust knows from its research with parents that finding suitable and affordable childcare for disabled children and children with Special Educational Needs can be incredibly difficult.⁹ More than half of FIS in England and Wales that responded to the survey reported that there was not enough childcare provision in their area for disabled children.

Welfare reform for lone parents

From November 2008 lone parents, when their youngest children reaches the age of 12, have been required to make themselves available for work or risk losing benefits and it is intended to extend this to all parents with children over the age of 7 by 2010. In the light of this survey indicating a dearth of childcare places for children of 12 years and over reported by 60 per cent of local authorities that responded, it is clear that urgent action needs to be taken to ensure that lone parents have access to appropriate out-of-school childcare for their children if they are expected to find work. Daycare Trust would urge that lone parents who are to be required to be available for work will need access to affordable childcare and flexible working. However, we also know that lone parents are more likely to find employment in low-paid jobs and would question how likely it is that such requests for flexible working will be granted in such occupations. We would urge government to conduct a feasibility study related to this point.

Help with childcare costs

The survey reports the shockingly high costs of childcare in Britain, although it should be remembered that there is a difference between the fees charged and the actual amount that parents pay. The Government provides several types of funding to reduce the amount that parents actually have to pay. Some families can claim up to 80 per cent of childcare costs through the tax credit system, although not all necessarily claim their full entitlement – partly due to the complicated eligibility criteria. A tax-efficient employer supported childcare system, worth up to £1,196 a year, is also available to assist with childcare costs. However, only 19 per cent of parents receive any support with childcare costs from their employer. In London there is also the Childcare Affordability Programme which subsidises the costs of childcare by up to £30 a week for parents on a low income, and which has just been extended until 2011.

The most widely used childcare subsidy is the free part-time early years education that all three- and four-year olds are entitled to receive. Only a small proportion of this age group are not receiving their 'free entitlement' – although Daycare Trust's research shows that those who are missing out are more likely to be those in disadvantaged groups. The Government is now expanding free part-time early years education to 33,500 two-year olds in disadvantaged areas. It is also beginning to offer some free provision of out-of-school care for older children in certain regions.

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.

1. Family Information Services (FIS) were formerly known as Children's Information Services (CIS). The title of the service varies between local authorities, but for the purposes of this report all services are referred to as FIS.

2. Office for National Statistics – *Annual survey of Hours and Earnings* (2008).

3. The inflation rate using the Consumer Price Index (December 2008).

4. More information can be found about this in the report – Daycare Trust (2008) *Raising The Bar: What next for the Early Childhood Education and Care workforce*.

5. Although last year's costs survey reported this figure for England only.

6. The sufficiency duty is designed to ensure local authorities meet demand that is 'reasonably practicable' as determined by a range of factors such as the state of the labour market, the type of supply of childcare that currently exists and local authority resources. For more information see DfES (2007) – *Securing Sufficient Childcare: Guidance for local authorities*.

7. Table shows actual number of responses with percentage of total response in brackets.

8. Table shows actual number of responses with percentage of total response in brackets.

9. Daycare Trust (2007) *Listening to parents of disabled children about childcare*.

Recommendations

With the Childcare Costs Survey 2009 showing above-inflation increases in childcare costs yet again, combined with the worsening global economic downturn, Daycare Trust feels that now is the time for a step-change in childcare funding in the UK. This is an opportune time as the Government is about to publish its update of the Ten Year Childcare Strategy (originally published in 2004). Whilst we applaud the excellent progress made by the Government over the last ten years, and the effort to raise quality in the sector – such as graduate-led settings by 2015 – this will continue to increase the costs of providing childcare. These are commendable measures to be pursued, but they cannot be allowed to push up costs to parents any further – especially as high-cost childcare is only likely to hinder efforts to revitalise the economy. Similarly, as *Raising The Bar* highlighted last autumn, it is likely that the issue of poor wages for childcare staff needs to be addressed sooner rather than later and this should not be permitted to raise the already high charges for childcare services to parents.

Daycare Trust finishes by making a series of recommendations

- Increase provision of out-of-school childcare, given the growing number of working parents and especially given their increased importance within the Government's welfare reform programme. This will require sustained subsidy to ensure all parents are able to access such care.
- Provide subsidised out-of-school activities for all 11-14s and for younger children from poorer families, aiming ultimately to make them free.
- Increase the proportion of help with childcare costs through tax credits from the current 80 per cent to 100 per cent; increase the maximum levels that can be claimed by region to accommodate childcare costs in high cost areas – particularly London and the South East; and consider more fundamental reform.
- Continue to encourage take up of the childcare element of Working Tax Credit through providing more information to families with children on their entitlement.
- Tackle the affordability crisis by giving local authorities the means to develop sustainable services in poorer areas and provide free places for those missing out, including places for disabled children, parents needing out of hours care, Further Education students and parents of under-threes who want to train.

Daycare Trust is the national childcare charity, campaigning for quality, accessible, affordable childcare for all and raising the voices of children, parents and carers. We lead the national childcare campaign by producing high quality research, developing credible policy recommendations through publications and the media, and by working with others. Our advice and information on childcare issues assists parents and carers, providers, employers, trade unions and policymakers.

Daycare Trust offers a range of services, including an information line, membership, consultancy and training. Contact us for details or visit our website.

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