

The cost of a nursery place rises above inflation ^[1]

The average cost of a part-time nursery place for a child under two has risen by 7 per cent, double the rate of inflation, according to the Family and Childcare Trust.

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AVAILABILITY

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EXCERPTS

The Trust's 17th annual Childcare Survey, published today, shows that the average price of a part-time nursery place for a child under two is now £122 per week, which is over £6,300 a year.

This is up from £116 a week, as found by the Trust last year. The rise comes after years of below-inflation increases.

The cost of a childminder is slightly lower at £107 per week for a child under the age of two attending part-time.

The survey reveals significant variation across the country with costs 70 per cent higher in inner London, the most expensive area at £184 a week, than in the cheapest area at £105 a week in Yorkshire and Humber (see table below).

[Table: "Price of 25 hours a week childcare for children under three", available to view online]

The cost of after-school provision has also risen, but by a smaller amount.

The Trust credits the increase in fees to the introduction of the 30 hours, Tax-Free Childcare (TFC), pension auto-enrolment, rises to the minimum wage, low price rises in recent years and the low level of inflation.

It warns that the price hike risks undermining Government schemes, such as TFC and the 30 hours, as any savings parents make could be outstripped by the increase in fees. For example, the amount of money lower-income families who get help with childcare costs through the benefits system can claim falls short of full-time nursery costs by £60 a week.

While parents of three- and four-year-olds can claim 15 hours of funded childcare or 30 hours for working parents, the Trust says they may struggle to get the support they expect due to a lack of 30-hour places. Less than half of English local authorities reported having enough 30-hour places.

The survey also found issues with availability of childcare places for disabled children and parents who work outside normal hours.

The Family and Childcare Trust goes on to recommend several short-term actions Government can take to support parents to work. These are:

- Provide start-up grants and responsive funding for childcare providers to increase the availability of childcare places and meet the needs of disabled children.
- Increase the maximum amount of childcare costs that are supported by universal credit in order to make sure parents are better off for every extra hour worked, and change to upfront payments so that parents can afford to move into work.
- Extend the 30 hour offer to parents undertaking training to make sure childcare costs do not prevent parents from developing the skills and employability that drives social mobility.
- Improve access to early education for disadvantaged children by doubling the rate of the early years pupil premium.
- Monitor what effect new funding (TFC and 30 hours) is having on childcare prices and whether it is helping parents into work and narrowing the attainment gap.

Ellen Broomé, chief executive of the Family and Childcare Trust, said, 'Childcare is as vital as the rails and roads, it supports parents to work, boosts children's outcomes and provides our economy with a reliable workforce. Too many parents remain locked out of work by high childcare costs and low availability.

'New Government investment is welcome, but this year's childcare price surge shows that without root and branch reform, many families will be left just treading water. The Government need to streamline the current hotchpotch of childcare support schemes. We need a simple and responsive childcare system that makes sure every parent is better off working and childcare quality is high enough to boost children's outcomes throughout life.'

Sector comments

Purnima Tanuku, chief executive of the National Day Nurseries Association (NDNA) said, 'Many of this report's findings are a serious concern. We have been warning the Government that current childcare policy is causing problems for parents and providers alike.

'NDNA has been campaigning hard for the Government to review its hourly funding rate for "free" childcare places because our research shows that it doesn't cover costs for many providers. The average nursery makes a loss of more than £900 per child on 15 hours funded places.

'It's not the lack of availability of places that is the issue, but the fact that nurseries are limiting places because of the losses they are making due to chronic underfunding.

'Because this isn't sustainable, nurseries have no choice but to push up fees for younger children who aren't funded. Many are also deciding not to offer 30 funded hours or are limiting places because they can't balance their books. Increasing the funding rate would enable more nurseries to offer more high quality places and would stop the burden being passed on to parents of younger children.

'We agree that the childcare support system is too complex and offers nothing for younger children. Parents need one account which pools all funding streams so they can pay their choice of provider directly.'

Neil Leitch, chief executive of the Pre-school Learning Alliance, said, 'For years now, childcare funding has failed to match the cost of delivering places, forcing many early years providers to increase parent fees to plug this funding shortfall. The introduction of the 30 hours has only served to exacerbate this problem and so it's absolutely no surprise that parents – and especially those with younger children, many of whom aren't eligible for 'free entitlement' schemes – are seeing significant childcare cost increases.

'Of course, as the Family and Childcare Trust rightly points out, it's those families on the lowest incomes that are likely to be hit hardest by these price increases. This is simply not acceptable, especially in light of the Government's continued emphasis on the need to support and improve social mobility. Add to this the fact that just half of all councils in England say they have enough 30-hour places to meet parental demand and it's clear that the government needs to go back to the drawing board on this policy.

'Free childcare is a great idea in principle, but if a lack of adequate funding means that in reality, parents are facing higher costs or a struggle to find places, then something has gone seriously wrong. Government needs to acknowledge that more investment is needed, and actually provide this if it has any chance of successfully delivering on this flagship policy.'

Liz Bayram, chief executive of PACEY, said, 'It has become a truism of our time that there is not enough affordable, flexible childcare to go around, fuelled by regular reports such as these. However, childminders remain a great untapped source of potential for funded places. PACEY research has found that half of childminders have at least one spare place they would like to fill, and 40 per cent of childminders haven't been asked to provide a free entitlement place – despite the more flexible service they offer. The FCT report found that only 53 per cent of childminders are delivering funded places compared to 82 per cent of nurseries. Childminders could deliver substantially more funded places if four key barriers were removed: the low hourly rate for funded places; delayed/uncertain payments and other burdensome red tape associated with the administration of the entitlement; and low levels of parental awareness about childminders.'

Steven McIntosh, director of UK poverty at Save the Children, said, 'These latest figures show that, despite recent measures, childcare costs in England are continuing to rise for families. This is stark evidence that the childcare system needs reform.

'The high costs help make childcare issues the number one barrier preventing parents with young children from working. This results in a huge loss of earnings for families already struggling to make ends meet. Save the Children's research has shown that mothers in England are losing out on £3.4 million a day owing to childcare issues.

'This financial pressure is not good for parents or for children. Families with children under five are far more likely to struggle on low incomes, they make up half of all families living in poverty. This hits children's well-being and development in these crucial early years.

'It is vital that the Government urgently examine how to bring down costs and ensure that families, particularly those on the lowest incomes, can get the support they need.'

Minister for children and families Nadhim Zahawi said, 'Thousands of families are accessing high-quality, affordable childcare and the most pleasing finding in the Family Childcare Trust's report is that parents are now spending less of their wages on that childcare as a result of the steps this government has taken.

'There are always challenges when implementing any new policy but we are investing record amounts in childcare – around £6 billion a year by 2020 – and are working with the sector, which has responded well to the 30 hour roll out to address them.

'Our 15 hours offer for the most disadvantaged two-year-olds is giving these children access to early education and we know that take up of this offer is increasing.'

-reprinted from Nursery World

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