

South Yorkshire Weekly Policy Briefing

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This Week's Policy Highlights:

- With childcare costs on the rise, a recent report by Nesta shows how childcare affordability differs across the country with London having the highest ratio. Figures also show the decrease in childcare providers, particularly childminders.
- We look at the turbulence in the global banking system over the past month and cover the key concepts that explain why this is important, the risk of contagion in the UK, and whether this will lead to the next financial crisis.
- A mapping analysis of South Yorkshire's natural capital which was produced as part of a wider project with SYMCA, Local Authorities and other partners.
- ONS figures indicate the UK economy stagnated in February 2023, with strike action leading to declines in key sectors covering health and education.

UK Childcare Affordability

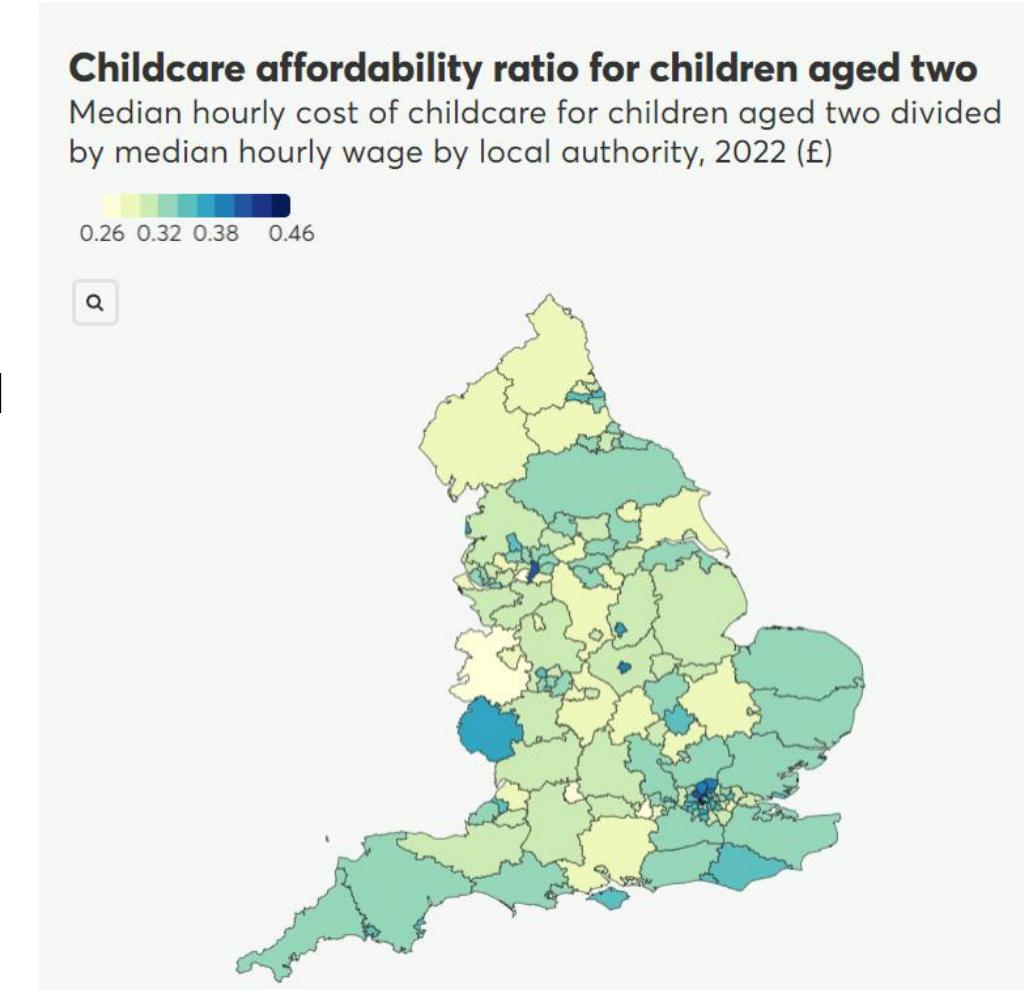


Childcare affordability in the UK

In the UK, the total cost of childcare is around twice the average for the OECD as a whole and parents overwhelmingly believe childcare is too expensive. The high cost of quality childcare can be a barrier for children getting the best start in life. There is also evidence that the cost of childcare in England is associated with increased poverty, gender inequality and economic inactivity.

Recent data from the Office for National Statistics (ONS) show that the number of women not working in order to look after family rose by 5%, the first sustained increase in at least 30 years.

Nesta's map of childcare affordability in England shows London's local authorities have the highest childcare fees in relation to local wages. Hammersmith and Fulham had the worst affordability ratio (0.46) for aged 2 childcare.



Childcare affordability in South Yorkshire

Using Nesta's affordability ratio which is calculated using the medium hourly wage and medium hourly fee of childcare for children aged 2 and then 3 and 4, South Yorkshire's local authority areas have low ratios compared to other regions, particularly in London.

Between the four local authority areas the hourly wages and childcare fees are fairly similar, however, Sheffield has the most expensive childcare and therefore the highest affordability ratio.

Sheffield

Median hourly wage= 15.04

Age 2 median hourly fee= 4.86

Age 3 & 4= 5

Doncaster

Median hourly wage= 14.58

Age 2 median hourly fee= 4.5

Age 3 & 4= 4.5

Barnsley

Median hourly wage= 14.21

Age 2 median hourly fee= 4.5

Age 3 & 4= 4.5

Rotherham

Median hourly wage= 14.49

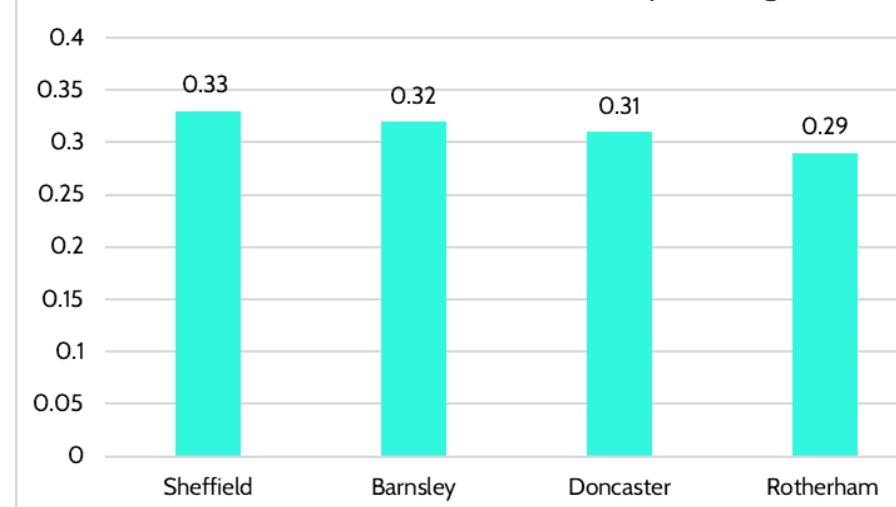
Age 2 median hourly fee= 4.2

Age 3 & 4= 4.25

South Yorkshire Childcare affordability ratio (age 2)



South Yorkshire Childcare affordability ratio (age 3&4)



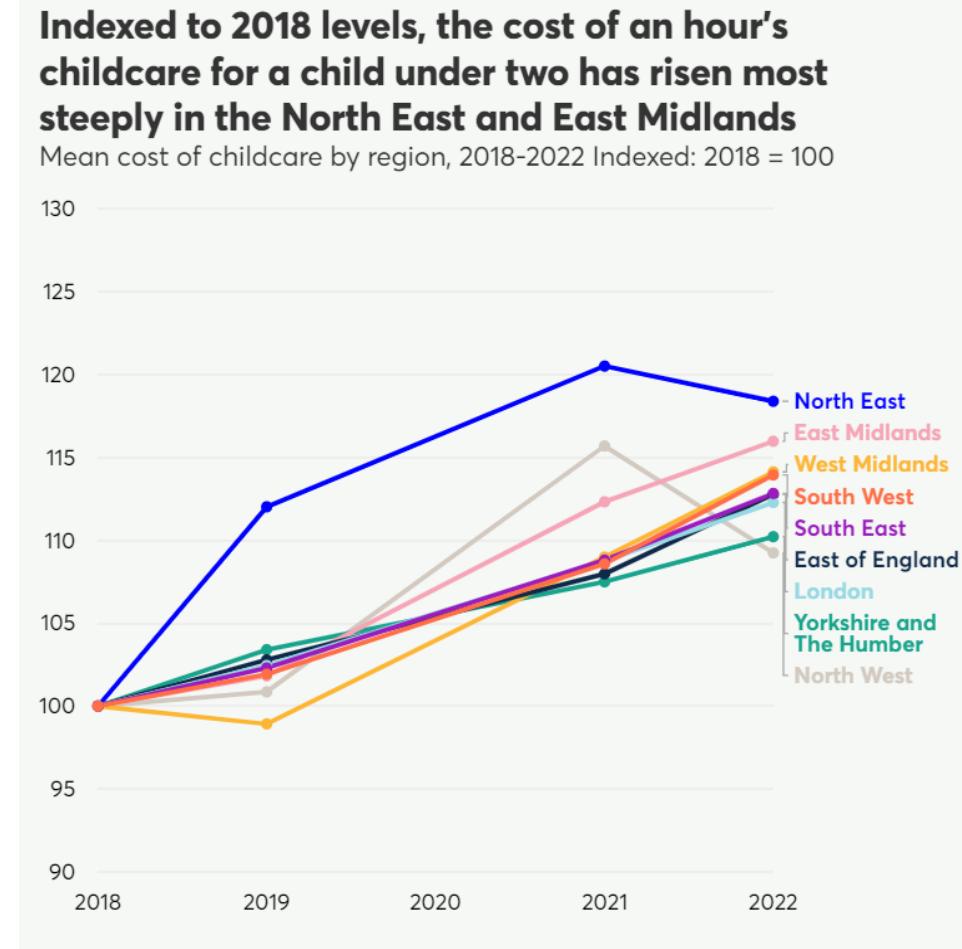
Increasing cost of childcare

Nationally the cost of childcare has been on the rise, with childcare for children aged 2 and aged 3 and 4 increasing by 14% between 2018 and 2022. Childcare for under 2-year-olds rose by 13%.

Between 2018 and 2019, average hourly wages grew at a faster rate than the average hourly cost of childcare for all ages. However, during the pandemic, the cost of childcare outstripped hourly wage growth in England.

Between 2021 and 2022, the cost of an hour's childcare for pre-school children aged two or above grew at around the same rate or higher than hourly wages. It was only slightly lower for children under two.

This increase has been rising quicker in some areas. As shown in the chart the rise in under twos has risen most steeply in the North East and East Midlands.



Source: Nesta

Decrease in childcare providers

The number of providers in England has fallen by 10% since 2018 and the main driver of this is the fall in the number of childminders. In 2018 there were around 36,500 by 2022 there were 28,500.

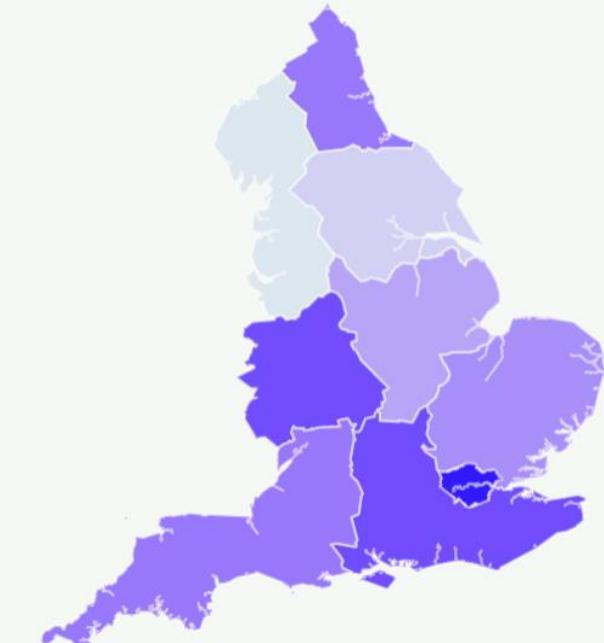
Other childcare providers such as private, school-based and voluntary-based have remained fairly consistent in this period, with the voluntary group dropping slightly.

Although childminders are only one type of provider, they are the biggest group across all regions, ranging from 40% in the West Midlands to 52% in the South East. Nesta suggest this is because they are the most flexible option for parents in terms of the service they can provide.

As shown in the map London has had the greatest fall in childminders, with areas such as Yorkshire & the Humber having a much smaller decrease rate of 5.17% from 2020- 2021.

London, the South East and West Midlands have seen their share of childminders fall the most in the past year

Percentage change in childminders by region, 2021-2022 (%)



Source: Nesta

Are we heading towards another Financial Crisis?



What's going on in global banking?

Many people will have heard of the recent crises in global banking sparked from the dissolution of Silicon Valley Bank (SVB) in California, followed by Signature Bank in New York and the eventual takeover of Credit Suisse by UBS facilitated as a merger by the Swiss National Bank.

According to [BBC reports](#), SVB was shut down by regulators who seized its assets on Friday 10th March after the bank was scrambling to raise money to cover losses from the sale of assets affected by higher interest rates. Word of these problems led customers to race to withdraw funds, and ultimately led to its collapse.

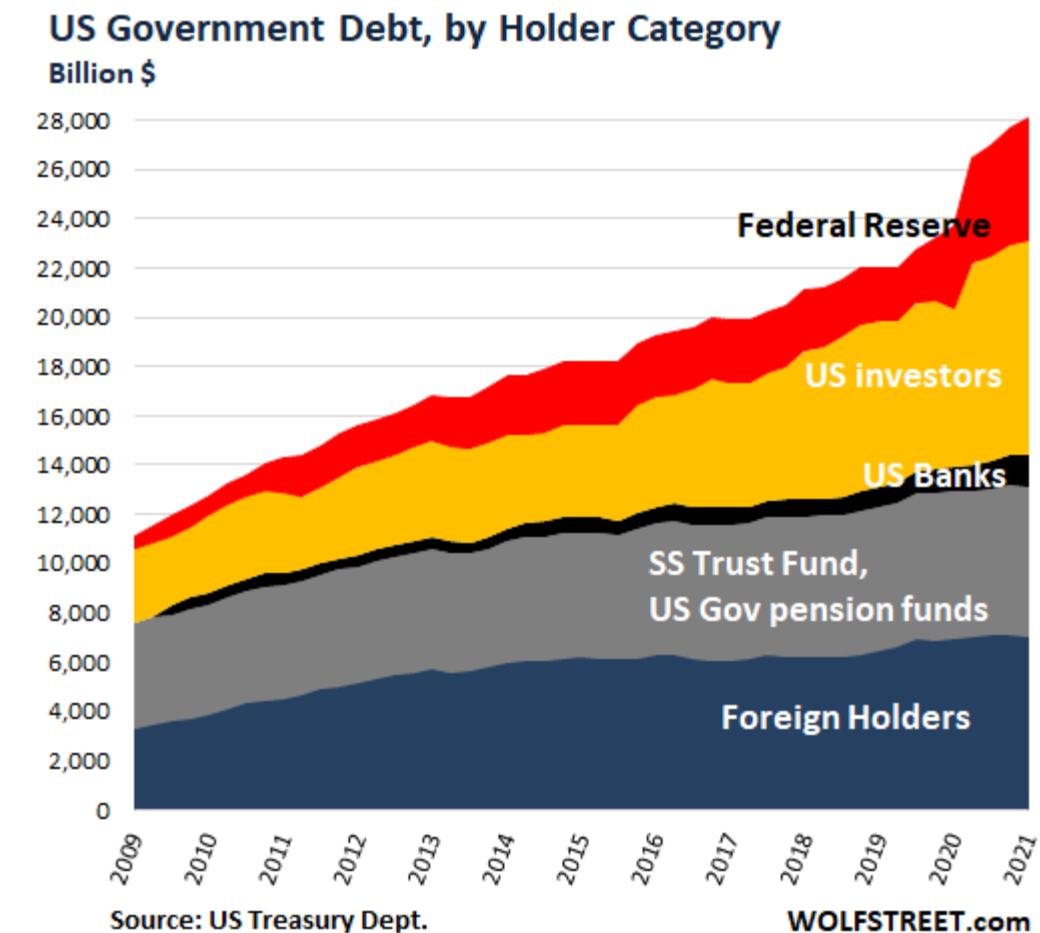
Credit Suisse had problems of its own - missteps over risk management going back years, scandals it was caught up in, including money laundering, and last year it reported a heavy loss. But, despite a £41bn loan from the central bank last week, it found itself in a bank run and investors began to pull their assets out.



Why is this important?

While certain problems came from gross mismanagement (take the case of Signature's excessive exposure to cryptocurrencies which have recently dropped steeply in value), the common factor affecting the banking sector more broadly is rising interest rates across the world. After many years of low rates and easy credit, this has come as a big shock to banks who had found it profitable to not properly diversify their portfolios.

As rates rise, bond values fall because the interest paid out is fixed. This means that banks holding government bonds have suddenly found their assets are worth much less, which was particularly problematic for SVB. The worry is that many banks have poured money into bonds, especially US treasuries, since the pandemic in response to rising uncertainty and governments' reputation as a 'safe-haven' for investors. Now rates are rising, these assets have been falling in value, forcing many small banks to sell these at a loss.

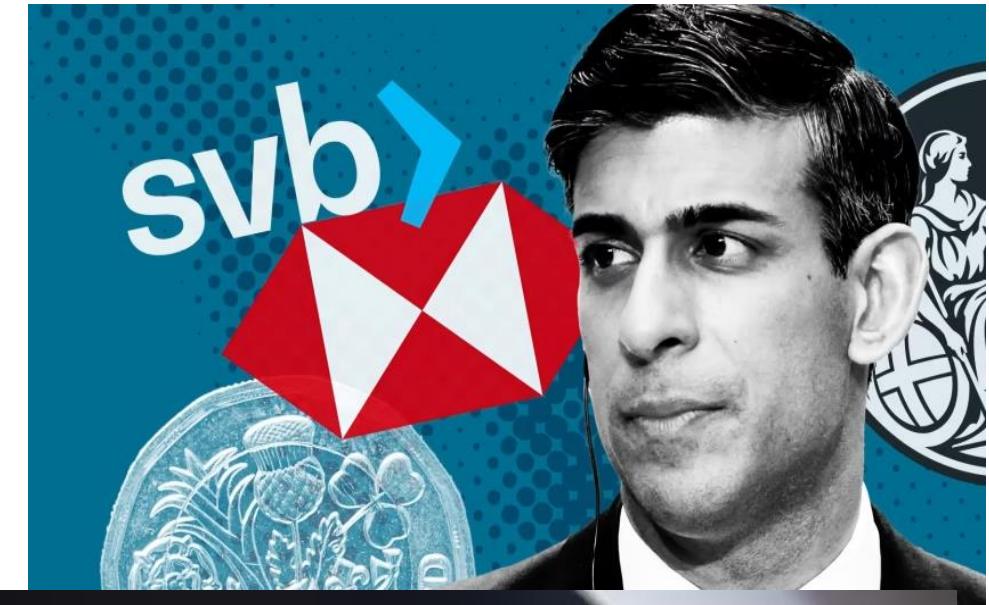


Are UK banks at risk?

The Bank of England admitted it had been watching closely as Credit Suisse's fate was determined, but said there was no reason to worry about a knock-on effect on UK banks. The UK banking system was "well capitalised and funded, and remains safe and sound" it said.

Both UBS and Credit Suisse have London operations where they manage money for wealthy clients and advise on mergers and investments. This means there may be some job losses where the two banks' businesses overlap.

Bank shares have also suffered from a wobble in confidence in the past month, with HSBC currently down 11% on February highs, but this seems to have stabilised now. Given HSBC's involvement in buying the UK arm of SVB for £1, facilitated by the UK government, many now expect there to be no further direct impact on UK banks.



Should we be worried?

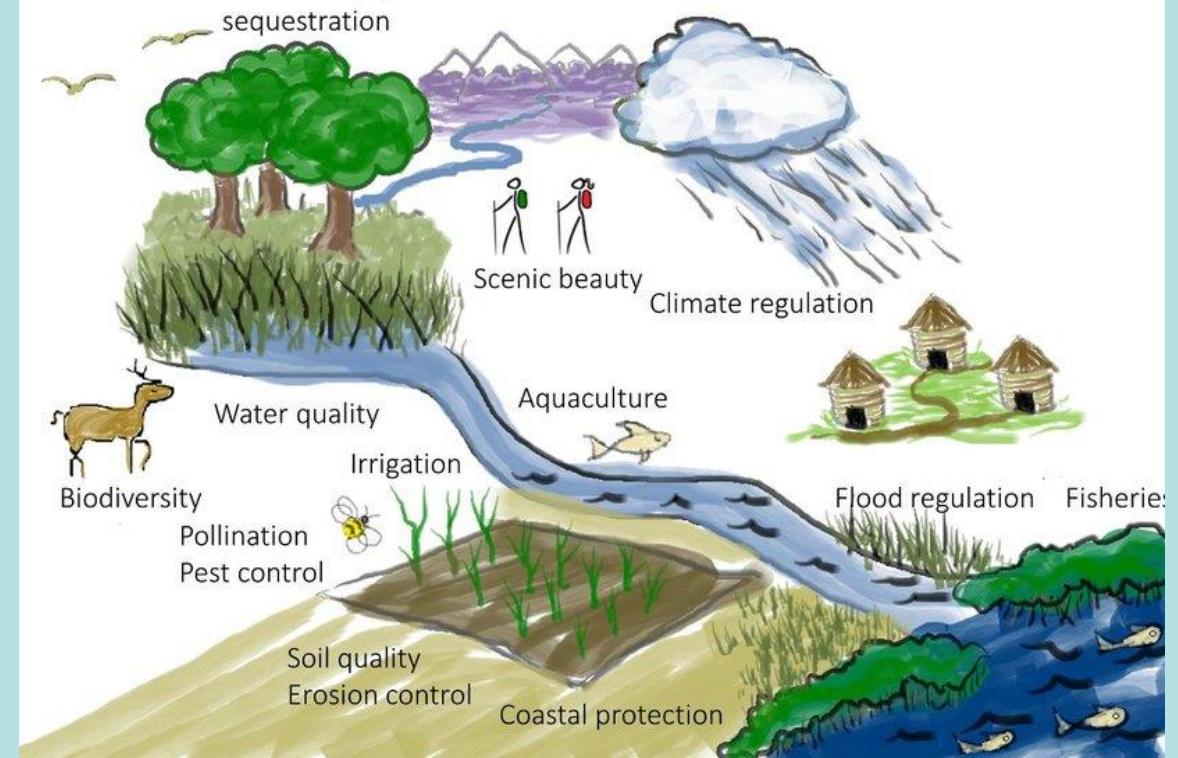
While worrying, the risk of contagion is limited given swift government intervention to find suitable private solutions in both US and UK markets. However, the uncertainty of another potential crisis is growing, with [Reuters](#) reporting a surge in the cost of credit default swaps used to insure Deutsch Bank's bond debt against potential default (where lenders can no longer pay them back).

Looking to 2008, it is unlikely this situation will precede a full financial crisis because banks must now hold more capital and regulations around risk are tighter. Most experts therefore believe the impact of these current problems will be contained.

Still, it can be difficult to identify where new fragilities lie until the system comes under pressure. A recent example is the mini-budget, which led to wavering confidence and a tumultuous period for the housing market. Thus, the Bank of England must continue to develop new ways to protect customers so that confidence in the system can remain strong.



Natural capital in South Yorkshire



South Yorkshire co-commissioned a project with all four constituent Local Authorities and wider partners to establish a natural capital evidence base.

This evidence, comprising high resolution mapping, enables an understanding of the ‘stock’ of natural assets and opportunities to improve the region’s ecosystem services (e.g. carbon sequestration, flood risk management, air quality improvement), biodiversity, and nature recovery.

SYMCA’s Policy team hosted a webinar presenting the project (materials forthcoming), and the report is available on SYMCA’s website [here](#).

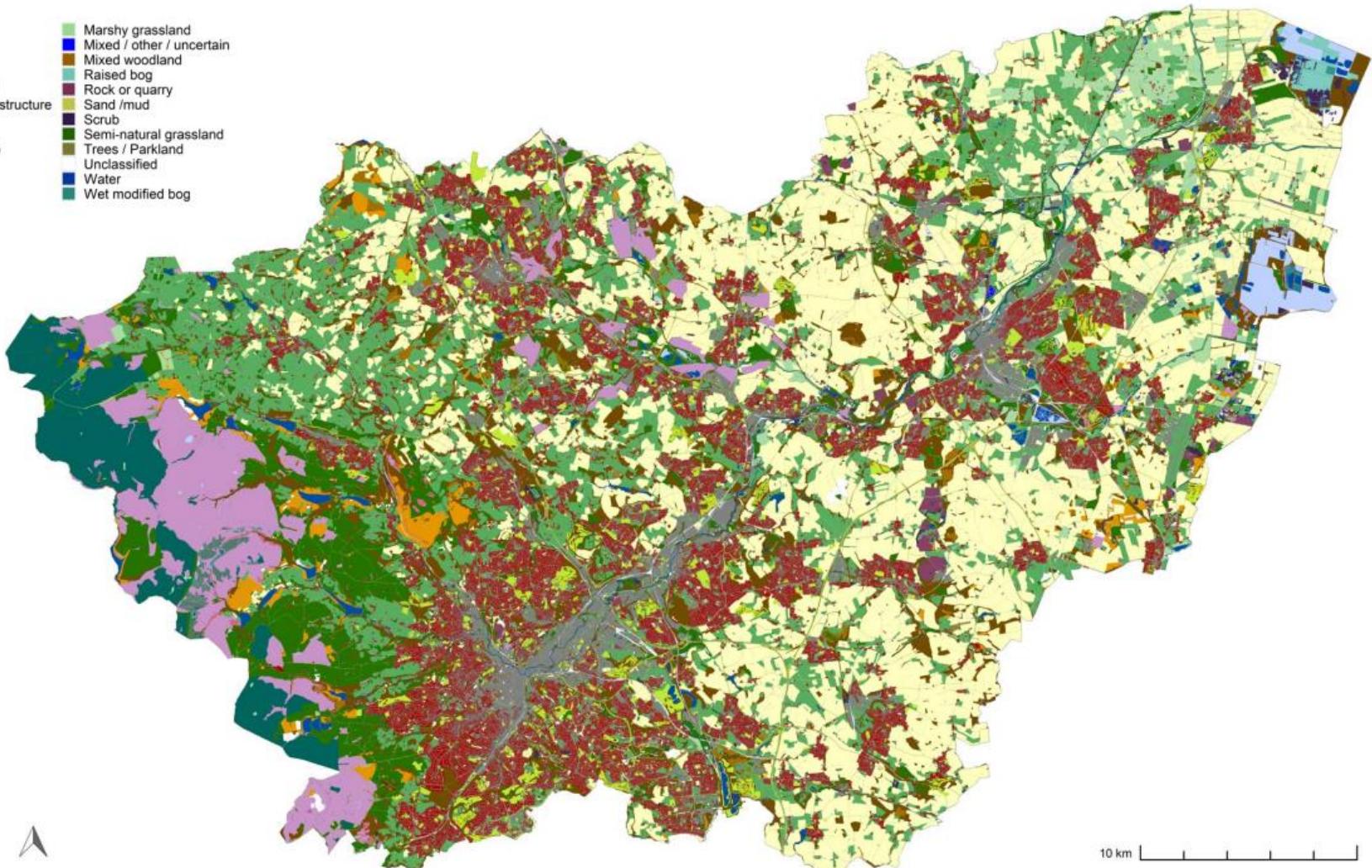
This section draws out some highlights from the mapping analysis.

This 'basemap' provides an approximation of habitat types across South Yorkshire.

The county is dominated by arable land (27%) – especially prevalent in the east, followed by improved grassland [used for livestock] (17%). Built-up areas, infrastructure, and gardens comprise 21% whilst woodland and trees of all types covers 11%.

The region is notable for its bog and heathland which together cover 9% of the area.

Map 1 Broad habitats across South Yorkshire.

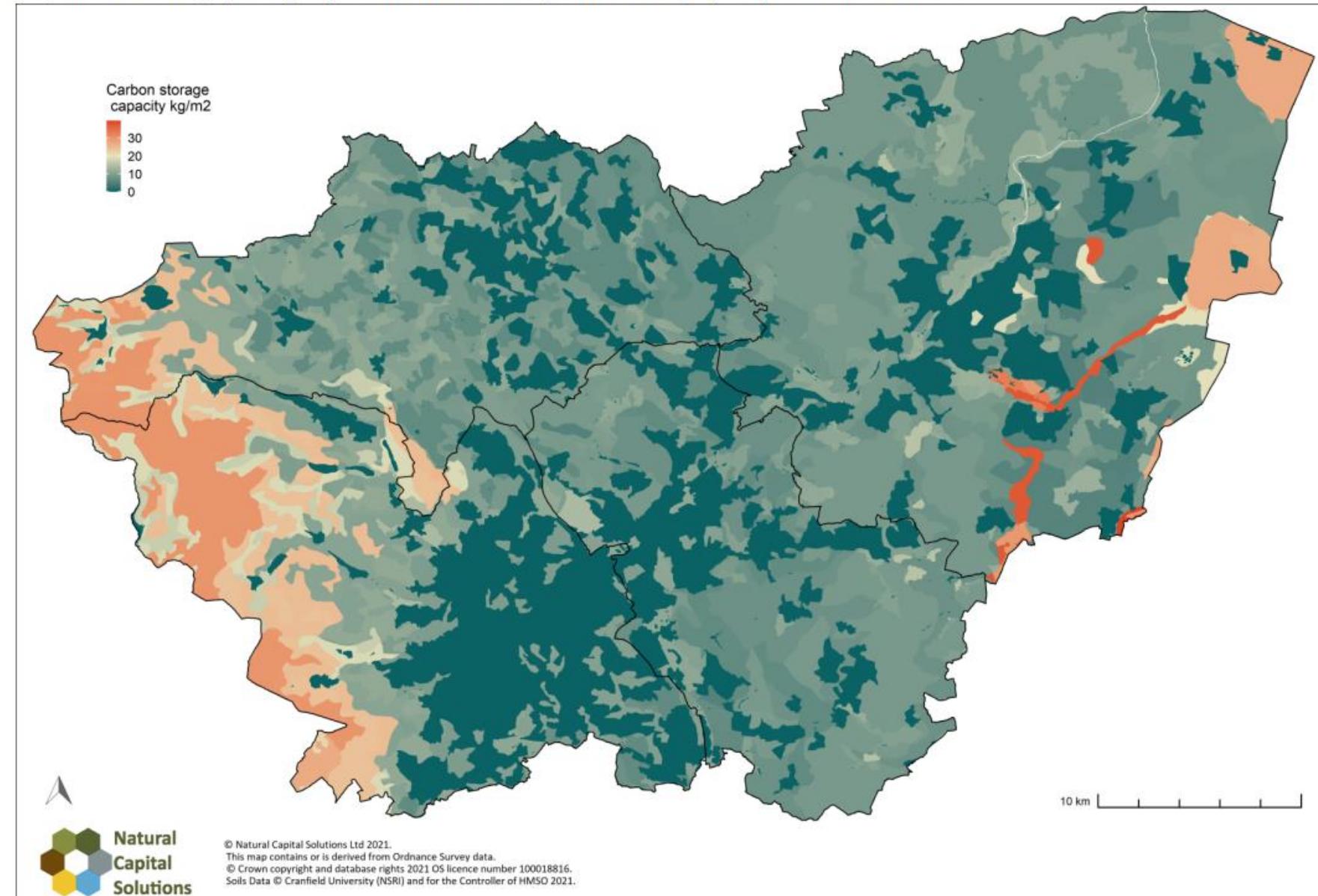


One significant 'ecosystem service' is carbon storage. This represents the 'stock' of carbon currently held by different land types.

Storage is at its lowest in urban areas (dark blue). There is then a range around how much carbon agricultural land stores (10-20kg/m²).

Pockets of high carbon stores exist in the east in lowland bogs to the east and upland moors to the west, with the most concentrated store in seams of fen peat soil (dark orange).

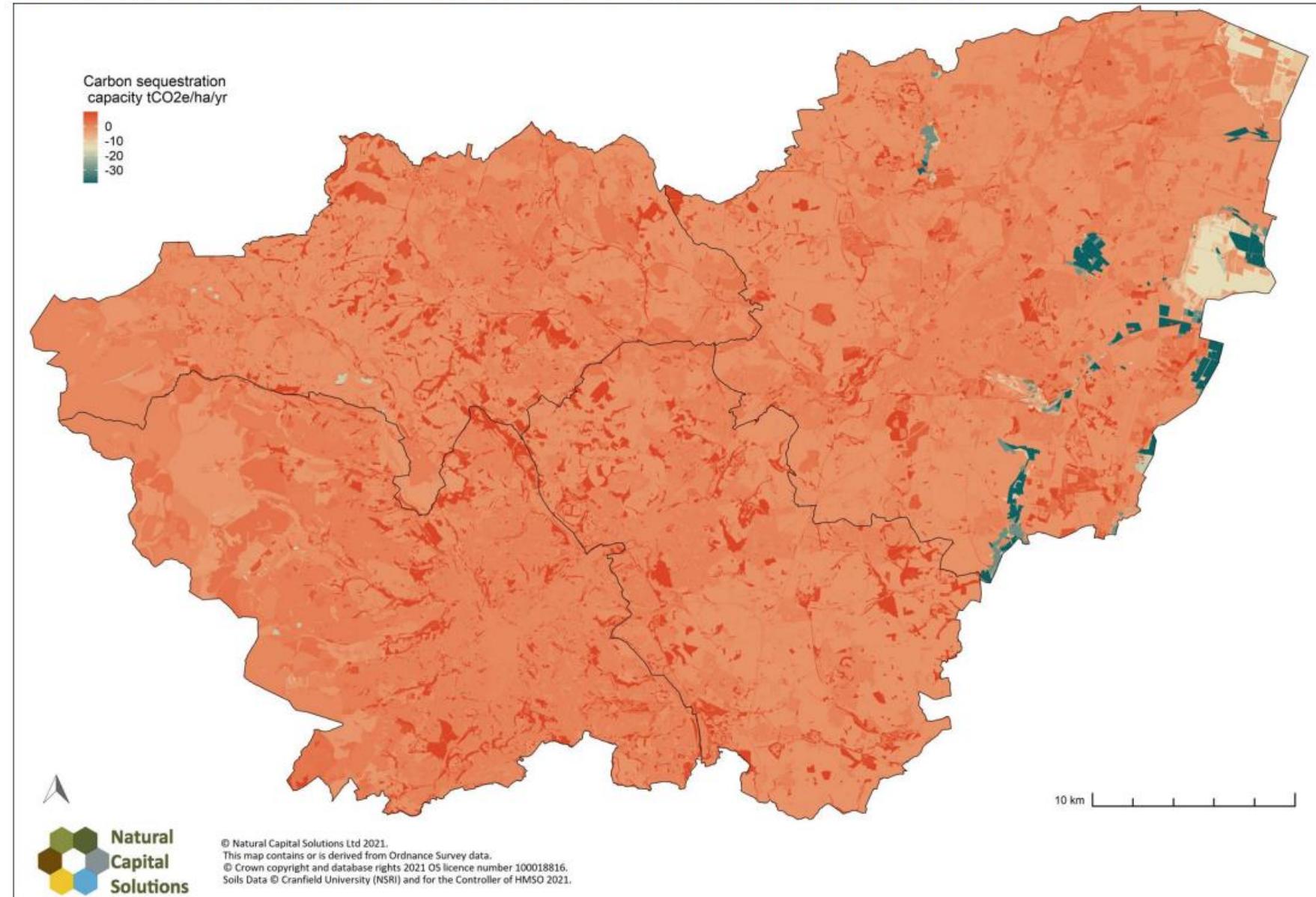
Map 6 Carbon storage (average kg/m² of carbon in the top 30 cm of soil) capacity across South Yorkshire.



Carbon sequestration shows the ability for carbon to be sequestered (captured) by growing plants. Woodland and semi-natural habitats sequester carbon (red / dark orange).

Negative values on this scale indicate where carbon is being *emitted* due to land use. This is due to the dominance of agricultural land and associated management practices. It also shows bog habitats which have a high 'stock' of carbon but are emitting this over time due to being degraded. Data from peatland to the very west wasn't sufficient to similarly measure its emissions (but they could be higher).

Map 7 Carbon sequestration capacity across South Yorkshire in tonnes of carbon equivalent per ha per year.

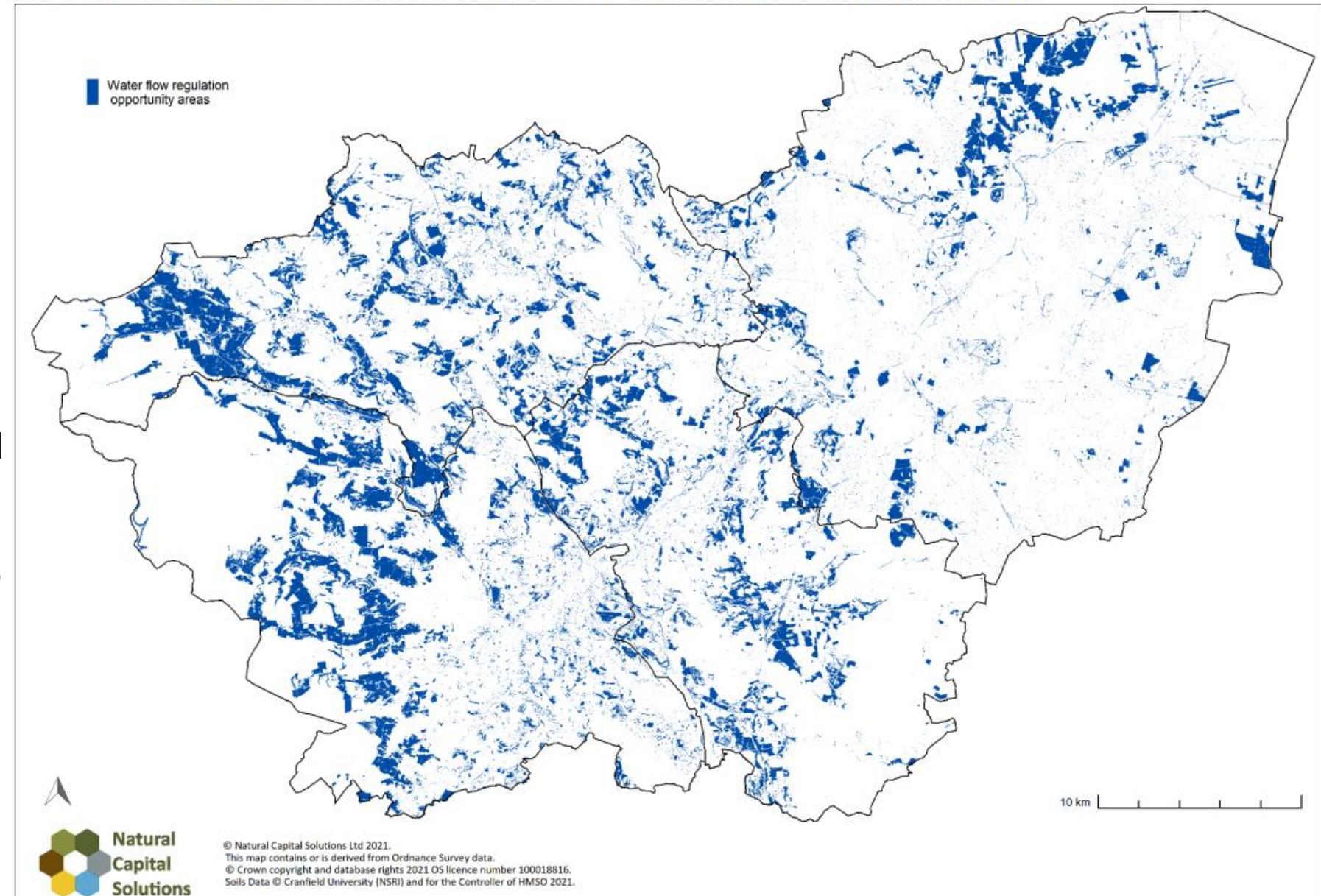


The report analysed 'opportunity areas' to improve provision for each ecosystem service. One example is water regulation – working with natural processes to reduce surface runoff and reduce flood risk.

Most opportunities are on agricultural (improved grassland to the west, and arable to the east). Restoration of bog to the west would improve capacity to reduce water flow (not captured by modelling used).

Water regulation is worst in urban areas for buildings and infrastructure, but there are opportunities for green retrofit options to contribute too.

Map 33 Water flow regulation opportunity areas / opportunities to slow the flow of water across South Yorkshire.



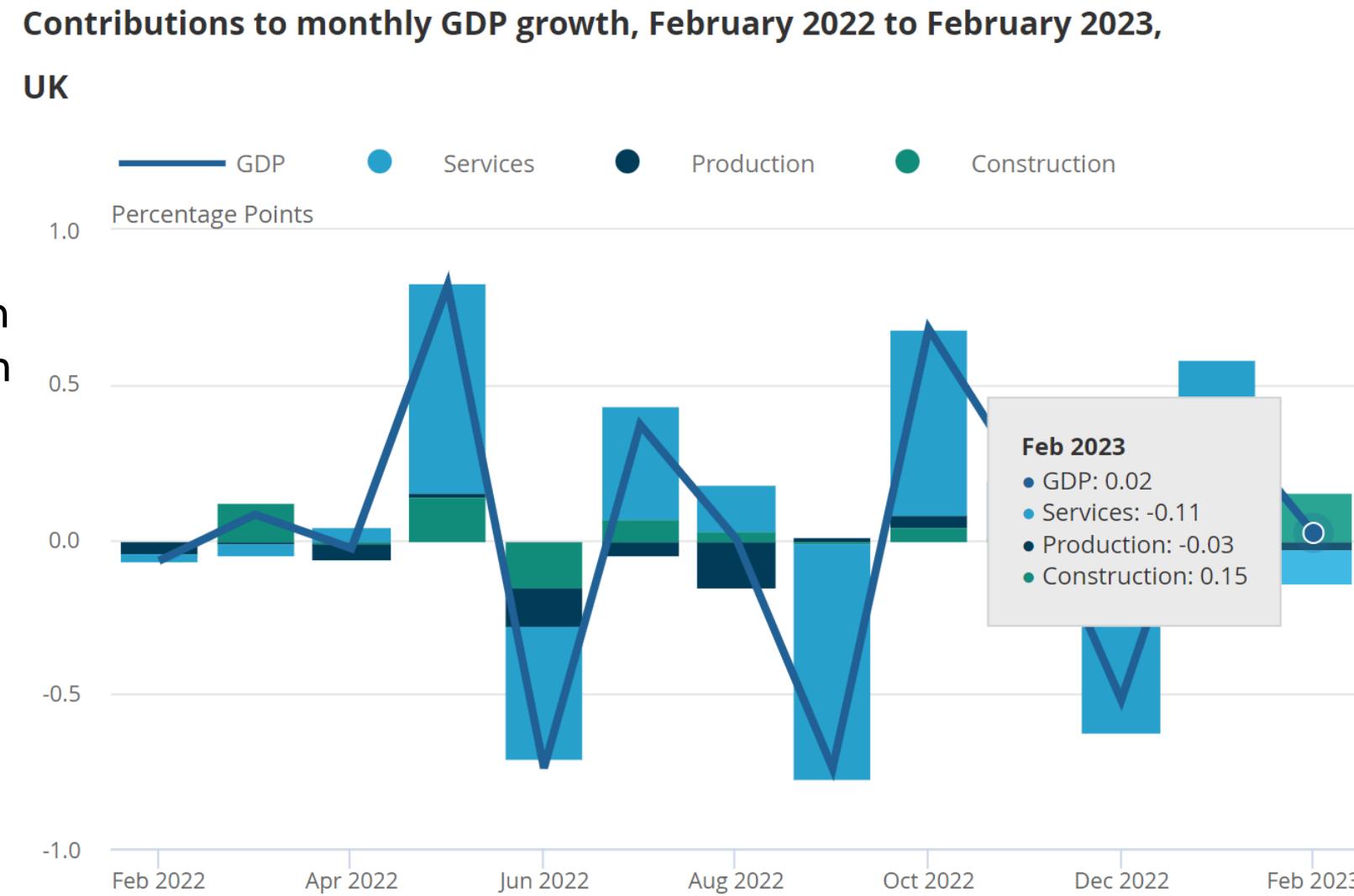
Economic Update



UK GDP stagnates in February as strike action takes hold

Monthly real GDP is estimated to have shown no growth in February 2023, where falls in services and production were offset by growth in construction. This follows growth of 0.4% in January, revised up from growth of 0.3% in the previous publication.

The largest contributions to the fall in services output came from education, public administration and defence, with industrial action taking place in all these industries in February 2023.



South Yorkshire Data & Intelligence Hub

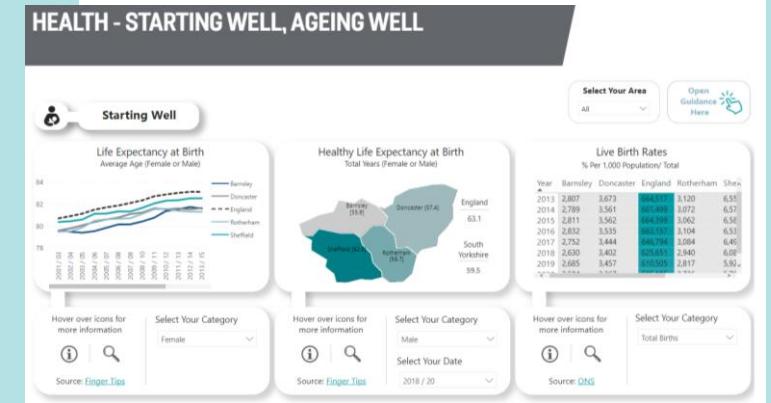
Want to access data and trends relating to South Yorkshire?

Head to the [South Yorkshire Data & Intelligence Hub](#), which provides a range of data useful for understanding the local economy, as well as social and environmental outcomes.

It also helps to understand relative performance and changes in data. See how it works on YouTube [here](#).

Whether you're a resident, employer, academic, researcher or just interested in data, this can help you understand South Yorkshire's economy and develop evidence-based solutions.

Visit the dashboard now at <https://southyorkshire-ca.gov.uk/Data-Intelligence-Hub>



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