

Letter to Kirklees Council

Dear xxxxx

We are writing on behalf of the 65 members of the Kirklees NDNA Network, who provide early years places across Kirklees, to formally express our serious concerns regarding the government's recent announcement on 21st February 2025 about the provision of fully "free" funded sessions.

We regret to inform you that **we are unable to offer these completely free funded places** as outlined in the new guidance, as doing so would force us to operate at a financial loss.

The Reality for Early Years Providers

As private businesses, we are responsible for covering all operational costs, and the government's funding allocation **does not** meet the actual cost of delivering high-quality early years education. If we are prevented from asking parents to contribute towards essential business costs, many settings will face severe financial hardship, potential closures, and even personal bankruptcy for owners who have secured business funding against their family homes.

We are deeply disappointed that these changes have been introduced without prior consultation with settings, sector representatives such as the National Day Nurseries Association (NDNA) and Early Years Alliance, or a reasonable transition period. With now just four weeks' notice, providers are being forced into an unsustainable financial model, creating significant risks for the entire early years sector.

Contradictions in Government Messaging

We refer to the 9th October 2024 announcement from the Department for Education (DfE), in which senior civil servants publicly acknowledged sector concerns regarding the term "free" and confirmed that entitlements would be described as "**government-funded**" rather than "free" (NDNA). This gave the sector hope that a more sustainable funding model would be implemented.

However, the sudden and unexpected announcement on 21st February 2025 has reversed this position, now requiring settings to offer fully free sessions, without any recognition of the significant financial shortfall that will result.

It is widely accepted that the funding rates set by the government do not cover the true cost of providing early years education. By prohibiting providers from seeking contributions to cover basic operational costs, the government is effectively forcing the entire sector to operate at a loss.

The Consequences of These Changes

If these changes proceed as planned, the realities for early years providers will be:

1. Nurseries will close, reducing childcare availability for families.
2. Many providers will opt out of offering funded places altogether, limiting parental choice.
3. Settings will have to cap the number of funded places available, restricting access for families.
4. Providers will be forced to restrict funded hours to set days and times to minimise financial loss.
5. The sector will face mass redundancies, leading to a loss of experienced and dedicated early years professionals.

6. A two-tier system will emerge, where children accessing fully funded places will receive a basic offer, while parents who contribute to additional costs will receive the high-quality provision they currently experience.

This two-tier approach is deeply concerning, as it compromises inclusivity and restricts access to high-quality early years experiences for children from lower-income families. However, without the ability to recoup essential running costs, settings have no choice but to differentiate their offer.

Impact on Parents and Working Families

We acknowledge and fully support the need for flexible, high-quality childcare for working parents. However, these changes will reduce parental choice, as fewer providers will be able to offer funded places in a way that meets the needs of families.

An Unfair Burden on Private Businesses

Every business in the UK sets its pricing based on actual running costs. By preventing early years providers from doing the same, the government is placing an unfair and unsustainable financial burden on private nurseries. No other sector is forced to provide a service at a loss, and it is morally and economically unjustifiable to expect early years providers to do so.

Urgent Action Required

We understand that Local Authority Early Years teams nationwide have been asked to provide feedback to the DfE next week. We urge the Kirklees Early Years Funding team to support us by communicating the urgent concerns of the sector and highlighting the significant risks posed by these sudden changes.

We kindly request that you:

- Raise our concerns directly with the DfE.
- Advocate for an immediate review of the funding model to ensure sustainability.
- Provide feedback to us on the outcome of these discussions.

We appreciate your time and support in addressing this critical issue and look forward to your response.

Yours sincerely,

Chairs of Kirklees NDNA Network

Letter to Peterborough City Council

Dear xxxxx

We are writing to you on behalf of the 38 members of the Peterborough NDNA Network, who provide early years places within Peterborough. We write to formally advise you that we are unable to offer “completely free” funded sessions as outlined in Government changes on 21st February 2025, as these forced changes will force us to offer a service at a loss-making price.

None of our settings are willing to put our businesses at risk and face financial bankruptcy and personal bankruptcy to offer these sessions to parents completely free of charge, without parents paying additional charges, to cover all our business running costs. As we are private businesses, we have personal liabilities to any debt – often banks have 2nd charges on our family homes to secure business loans/funding, therefore putting our family homes at risk of repossession.

We are all very shocked and to be very honest with you, disgusted with the recent changes which have been forced upon us by the Government with absolutely no prior notice to settings and also no notice given to our trade associations – National Day Nurseries Association & Early Years Alliance. The 5 weeks until implementation is also not sufficient notice to give to the sector when these changes will have such a significant effect on setting finances.

In October 2024, these changes were announced by DfE.

<https://ndna.org.uk/news/dfе-its-official-childcare-places-will-be-called-funded-not-free/#:~:text=Senior%20civil%20servants%20who%20attended,%E2%80%9D%20and%20not%20%E2%80%9Cfree%E2%80%9D.>

Published October 9, 2024

DfE: it's official childcare places will be called “funded” not “free”

Senior civil servants who attended an NDNA Talk event announced that the Government would be calling 15 and 30-hour childcare places “funded” and not “free”.

Mike Davies, Deputy Director Early Years Markets, Strategy and Workforce and Suzanne Taylor, Stakeholder Lead School-based Nursery Division from the Department for Education gave updates on their latest projects and how they had responded to feedback from the sector over the past few weeks.

Mr Davies said: “We have heard your concerns about the word free with regards to the entitlements and have now shifted to ‘government-funded’ in our communications with parents.”

These changes gave the early years a fighting chance of survival despite the huge financial implications being forced upon the sector with the minimum wage increases, increases in employers' National Insurance, and the lowering of the employer's national Insurance threshold.

On 21st February these changes were brought in unexpectedly

<https://www.gov.uk/government/publications/early-education-and-childcare--2/early-education-and-childcare-effective-from-1-april-2025>

We all know that the amount paid to settings by Government funding does not cover the actual cost of providing the service, so by insisting that parents do not have to pay any additional charges, which cover the settings business costs, this forces an entire sector to offer a service at a loss-making price.

The realities of these changes are

1. Settings will close
2. Settings will refuse to offer funding
3. Settings will have to limit the number of funded places to try and limit the loss
4. Settings will have to look at offering funding on set hours/set days to try to limit the loss
5. We could lose a passionate, enthusiastic, and dedicated early years workforce through mass national redundancies
6. This is the one we are all very uneasy about – this will create a 2-tier system within nurseries, the free sessions will have restrictions on what it offers children and parents, and the parent who will pay the additional charge will receive everything as they currently get.

A 2-tier system will likely become a reality for all nurseries in 4 weeks, as this is the only way in which settings can try to operate within these forced rules. This is not what is best for the children and or parents. Inclusivity is essential for children and very important to nursery owners, but settings cannot afford to offer these additions to the “basic offer” without parents contributing to the cost.

We acknowledge and appreciate that working parents need flexibility of funding to be able to access it for full days when they are working all year round and also shorter days on term time only places, these forced changes to the sector, will limit parental choice of settings as there will be fewer settings offering funding.

All businesses have to base their prices on the business expenses/running costs and by the government stating that we are not allowed to do this, is very unfair and morally wrong.

The Government shouldn't be promising parents a service and then forcing us to provide that service at a loss-making price.

We have been made aware that the Local Authority Early Years teams nationally, have been asked to provide feedback to DFE next week. We are asking the Peterborough Early Years team to support us and to feedback to DFE on our major concerns as outlined in this letter concerning these recent changes forced on the sector.

We would be very grateful if you could feedback to us the outcome of the DFE meetings.

Yours sincerely,

Chairs of Peterborough NDNA Network

Letter to Essex Council

Dear xxxx

Yesterday, an urgent NDNA network meeting was convened and attended by 30 representatives from approximately 50 settings, collectively responsible for over 4,500 funded children. This meeting directly responded to the new Department for Education (DfE) guidance, which was introduced without consultation or considering the significant negative impact it will have on settings, not just on quality but also on sustainability.

I am writing on behalf of members to formally inform you that we cannot offer “completely free” funded sessions as outlined in the Government’s policy changes announced on 21st February 2025.

Parents are informed in writing by each nursery about how the basic government funding is used and the additional costs involved in using that particular setting. They are fully aware of what they are signing a contract for and the extra costs they are charged for their choice of nursery. Our concern is that these **enforced changes** effectively will encourage parents and carers to withdraw their contributions, which they make under existing written agreements with settings that would then require us to operate at a loss, which is not a sustainable business model.

Even outside of issues of food safety and health and safety considerations, it is simply not practical to expect individual settings to handle parent-provided meals and consumables for their children on a large scale at settings if parents withdraw contributions en masse in response to guidance and then have to provide these items to settings in lieu of them being provided by settings.

Settings are unwilling to jeopardise their businesses or risk financial and personal bankruptcy to provide these sessions entirely free of charge without parents making additional contributions to cover essential operational costs.

As private businesses, setting owners are personally liable for any financial shortfalls. Many of them have secured business loans against their family homes, meaning these changes could put their homes at risk of repossession.

The sector is deeply disappointed and frankly appalled by these sudden changes, which have been imposed without prior consultation directly with settings or our representative bodies—such as the National Day Nurseries Association (NDNA) and the Early Years Alliance (EYA). Furthermore, a four-week implementation period is wholly inadequate for a change of this magnitude, particularly given the severe financial repercussions for settings.

Many providers have already signed Provider Agreements and communicated necessary fee increases to parents in response to rising operational costs, including increases in the National Minimum/Living Wage (NMW/NLW), National Insurance (NI) contributions and changes to Employer Allowance. These changes alone add an estimated minimum of an 11% increase to the staffing bill of an average nursery, while [NDNA’s recent survey](#) found providers will face an average increased staffing costs of 15%. However, funding rates have consistently not increased sufficiently in line with these ever-growing operating costs.

As a result of the funding position, 92% of respondents told the NDNA that current funding rates do not cover their delivery costs. As a result of the NLW and NI changes, 96% of respondents also said they would have to increase parent fees to meet these rising costs.

Background and Timeline of Changes

In October 2024, the DfE announced that government-funded childcare places would no longer be referred to as “free,” recognizing the financial realities settings face:
DfE Announcement – October 2024.

At an NDNA event, senior DfE officials acknowledged sector concerns regarding the term “free” and confirmed a shift in terminology to “**government-funded**” in communications with parents. This recognition was a step toward financial sustainability for early years providers.

Published October 9, 2024

DfE: it’s official childcare places will be called “funded”, not “free.”

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Mike Davies, Deputy Director of Early Years Markets, Strategy and Workforce and Suzanne Taylor, Stakeholder Lead School-based Nursery Division from the Department for Education, gave updates on their latest projects and how they had responded to feedback from the sector over the past few weeks.

Mr Davies said: “We have heard your concerns about the word free with regards to the entitlements and have now shifted to ‘government-funded’ in our communications with parents.”

However, on 21st February 2025, the Government unexpectedly reversed course, issuing new guidance that contradicts previous commitments:

[DfE Guidance – February 2025](#)

We recognise that this policy shift directly responds to the recent legal ruling on February 12, 2025, in the case of *Bournemouth, Poole and Christchurch Council, R (on the application of) v Local Government and Social Care Ombudsman*.

The judicial review in that case was based on guidance from the challenge on January 8, 2021. However, the guidance in place before February 2025 had already evolved significantly from its 2021 version. This sudden reaction from the DfE warrants thorough discussion and collaboration with the sector before any implementation.

As the Government is fully aware, the funding provided to settings does not cover the true cost of delivering early years education. By mandating that parents must not be asked to contribute to essential business costs, these changes effectively force an entire sector to operate at a financial loss.

Historical Evidence of Underfunding

The financial shortfall in early years funding has been well-documented. In December 2018, the Early Years Alliance (EYA) submitted a Freedom of Information (FOI) request to the DfE regarding funding rates announced in 2015 and implemented in 2017. Following a **two-and-a-half-year legal battle**, the DfE was compelled to release internal briefing documents revealing that:

- The Government had estimated that properly funding the sector would require £2bn by 2020, equating to a funding rate of **£7.49 per hour per child**.
- Instead, only £300m was allocated, resulting in an average funding rate of **£4.89 per hour**.
- The Government knowingly introduced the 30-hour entitlement despite being aware that it would increase costs for parents of younger children.

[Early Years Alliance FOI Findings](#)

The Reality of These Changes

If these enforced changes proceed, the consequences will be severe:

- **Nurseries will be forced to close** - rising nursery closures in recent years continued in 2024 [according to NDNA's analysis](#)
- **Many settings will be unable to offer funded places.**
- **Providers will have to limit the number of funded places to mitigate financial losses.**
- **Funding may only be offered on restricted days or hours to minimise losses.**
- **The sector risks mass redundancies, leading to the loss of passionate, dedicated early years professionals.**
- **A two-tier system will emerge**, with families who can afford to pay for additional services receiving an 'enhanced provision' and those who rely solely on funding receiving only a 'basic' provision.

A two-tier system is not in the best interests of children, parents, or the sector. Inclusivity is fundamental to early years education, but without parental contributions, settings cannot afford to provide additional services beyond the bare minimum funded by the Government.

Our Request for Support

- All businesses must be able to set prices based on their operational costs. The Government's mandate that early years providers must offer a service below cost is unsustainable and **fundamentally unjust**.
- The Government should **consult with providers before making financial commitments on our behalf**. We are businesses—without financial viability, we cannot continue to operate.
- We understand that local authority early years teams across the country have been asked to provide feedback to the DfE this week. We urge the **Essex Early Years team to advocate on our behalf** and communicate the sector's serious concerns.
- Furthermore, implementing these changes should be delayed **until at least September 2025** to allow settings to seek legal advice and avoid last-minute disruptions for parents if providers are forced to withdraw from offering funded places.

All children deserve more than 'basic' provision. They deserve high-quality early years education.

As representatives of our Local Authority, I reiterate that you advocate, on the early years sectors' behalf, our worries, anxiety, and concerns these changes will bring, not only upon our businesses and livelihoods but to the parents who use our services and most importantly, the children to the DfE's attention when you meet with them on Wednesday.

I would appreciate an update on the outcomes of the discussions as soon as possible so that I can pass it on to the members of the Essex NDNA network.

On behalf of the NDNA Essex Network covering 165 settings across the county.

Yours sincerely,
Chair, NDNA Essex Network