



HOUSE OF COMMONS

LONDON SW1A 0AA

The Rt Hon Bridget Phillipson MP
Secretary of State for Education
Department for Education
Sanctuary Buildings
20 Great Smith Street
London
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4 April 2025

Dear Secretary of State,

Unsustainable pressure upon Early Years providers

I write further to a recent meeting I had with the Minister for Early Years, Stephen Morgan MP, in which I outlined the severe impact of changes to National Insurance Contributions (NICs) and the minimum wage on wraparound childcare providers in my constituency.

As I relayed to the Minister, these measures have placed unsustainable pressures on businesses, forcing many providers to raise fees or reduce services. In some cases, less scrupulous employers have been driving staff into disguised self-employment.

Last Friday, I met with 20 women leading Early Years providers in Havering to discuss the ongoing funding challenges, including those arising from the Autumn 2024 Budget. One provider with multiple sites in Havering, including six in Harold Hill, reported that the combined impact of NICs and minimum wage increases will add £30k per month to her payroll. This is simply unsustainable, particularly for those delivering the Government's funded childcare hours.

The Early Years providers in Havering consistently highlighted that the funding rates provided are inadequate to cover the true cost of delivering 30 funded hours. The National Day Nurseries Association (NDNA) has reported that funding rates have increased by just 3.3%-4.1% across age ranges, while statutory minimum wages will rise by 6.7% to 18%.

Furthermore, the recent revisions to the guidance on charging for extras by the Government have added to the strain. Providers have expressed concern that the new rules are unworkable, placing additional administrative burdens on them and risking two-tier service levels. In particular, many providers lack the facilities to store any alternative food provided by parents, with environmental health restrictions preventing them from doing so. The only alternative would be to ask parents to remove their child during mealtimes, undermining the service and making it harder for parents to return to work.

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The proposed changes, set to take effect in January 2026, will only exacerbate these challenges. Providers have warned that they may be forced to close rather than deliver inferior services. This is particularly concerning given that, to be Government approved, they must maintain a 'Good' or 'Outstanding' Ofsted rating. Many fear that under these conditions, they will be unable to meet those standards.

There is also widespread concern about the language surrounding "free" childcare. All 20 providers I spoke with agreed that referring to it as 'free' is misleading and distorts expectations. The term 'funded' would more accurately reflect the state's contribution without suggesting that the service incurs no cost to providers.

Finally, there is clear concern about the disparity in funding support between school-based providers, who receive compensation for NICs increases and exemptions from business rates, and private providers. Many providers feel that this approach unfairly burdens the private sector, which plays a crucial role in providing childcare. If these pressures continue, women – who make up the bulk of the Early Years workforce – will be hardest hit, with long-term implications for parents and the sector.

I urge the Government to reconsider these policies to ensure the long-term sustainability of Early Years provision and to prevent further strain on an already struggling sector.

With best wishes,

Julia