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Lord Freud
House of Lords
LONDON
SW1A 0PW

7 August 2013

Dear Lord Freud

“Hitting the poorest places hardest”

I am writing to you to raise serious concerns with regard to the potentially huge negative impacts which welfare reform is likely to have on the residents and economy of Rotherham.

We acknowledge the need for some reform of welfare benefits in the current economic circumstances. However, the financial impact on individual residents and the wider borough, alongside reductions in council services and spending forced by significant annual budget reductions, are in danger of creating a “perfect storm” of economic blows to Rotherham. This will not only have a devastating effect on our most vulnerable people and communities, but will hit the whole town.

Sheffield Hallam University has estimated from its research “Hitting the poorest places hardest” the annual loss to the Rotherham economy from the fully implemented benefit changes will be £91 million. We estimate that £25 million of this will be lost from our most deprived neighbourhoods. The conclusion from this study is the more deprived the area, the greater the financial impact.

At a time when the need for the council to support people is high and rising, we have a projected shortfall in funding of £29 million for 2015/16.

(Please turn over)

More generally, SIGOMA's recent analysis "A Fair Future?" illustrates how changes to local government funding will impact adversely on those in greatest need.

The likelihood of this scenario happening was raised by my Chief Executive, Martin Kimber, as part of the consultation process on the reforms before they were implemented.

Rotherham has a good track record for working with government to deliver economic regeneration. Recent examples include the Portas Pilot and X-fund programmes on the back of the very successful and innovative activities we have used to revitalise our town centre.

Similarly, we have a network of Business Incubation Centres and business start-up programmes, which are widely regarded as examples of best practice to help people back into work through self-employment. We have the much lauded "Rotherham Ready" and "Are you Ready" initiatives which promote enterprise skills for all school age pupils.

We have also sought to minimise our impact on local taxpayers by using the Council Tax Freeze Grant and Transitional Grant.

Both Rotherham and the wider Sheffield City Region are seeking to deliver on the government's growth agenda; increasing job numbers and growing our GVA which is only 66% of the UK average in our sub-region.

Rotherham's economy has suffered more than most in recent years with a net loss of 11,000 jobs since 2007. We wish to continue working with government on actions which will benefit both the local and national economies.

However, we feel that this is at risk of being undermined by the need to focus more resources on those affected by welfare reform. Furthermore, the loss of benefit income will reduce local demand and affect businesses whose customers who are already hard pressed. This could well lead to downward spiral of further job losses and widening inequality.

Barriers to improving economic performance appear to be coming thick and fast and it is difficult to detect any joining-up of policy. The recent announcement of allocations for the latest rounds of ERDF and ESF monies covering the period 2014-20 have shown South Yorkshire being especially hard hit with a 64% reduction in funding compared to the current 2007-13 programme. This is despite our economy being in no better position relative to the UK average.

Again, this resource would have helped to grow the local economy and to ensure that the residents of the more deprived areas can benefit from this. The only way we can

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ensure our citizens can become more independent and the town can contribute to the national effort to grow the economy is by local jobs and business growth, matched by an increasingly skilled labour market.

But, our efforts are in danger of stalling because we appear to be harder hit than most. There is also increasing evidence emerging that the DWP Work Programme is simply not delivering. This is an area Government needs to look at urgently to see how the knowledge and skills of local authorities could be deployed to use the resources being ploughed into this programme to achieve better outcomes.

We are doing as much as we can to help people at this time of change, despite our own diminishing resources. It would help to have greater clarity about the timescales for the introduction of Universal Credit and the likely demand for support during transition. Better information sharing by DWP would also help us deal with the consequences of welfare reform.

Ultimately, we are seeking recognition that inequalities are being created and that a fair method is deployed to redress these imbalances. It is crucial for Government that the smaller and poorer metropolitan towns like Rotherham are equipped with the resources needed to stimulate economic growth. The consequences of doing otherwise both for local people and the economy as a whole are unthinkable.

Currently it feels as if we will never be able to reach our full potential in the battle to deliver increased economic growth without some shifts in policy by Government to recognise the particular challenges places like Rotherham face.

I wait to hear your response and hope that we can jointly look at ways to move forward on this extremely serious and challenging issue

Yours sincerely

Councillor Roger Stone OBE
