

Overview and Scrutiny Task-and-Finish Group

Members

Councillors Brown, Bye, Mandy Darling, Foster, Howgate, Kennedy and Loxton

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Monday, 24 February 2020 at 3.30 pm
to be held in the **Meadfoot Room - Town Hall**

Agenda

1. **Introduction and Background** (Pages 2 - 3)
Background information and the focus on ensuring a healthy standard of living.
- 1(a) What measures are currently in place
- 1(b) Supporting information
- 1(c) Additional Steps
- 1(d) Outcome

Policy Objective D

Ensure a healthy standard of living for all

Priority objectives

- 1 Establish a minimum income for healthy living for people of all ages.
- 2 Reduce the social gradient in the standard of living through progressive taxation and other fiscal policies.
- 3 Reduce the cliff edges faced by people moving between benefits and work.

Policy recommendations

- 1 Develop and implement standards for minimum income for healthy living.
- 2 Remove ‘cliff edges’ for those moving in and out of work and improve flexibility of employment.
- 3 Review and implement systems of taxation, benefits, pensions and tax credits to provide a minimum income for healthy living standards and pathways for moving upwards.

I'm one person who would be better off not working with two kids. I would have more money if I didn't work.

(Focus group participant)

Inequalities in income

Having insufficient money to lead a healthy life is a highly significant cause of health inequalities.²⁰

As a society becomes richer, the levels of income and resources that are considered to be adequate also rise. The calculation of Minimum Income for Healthy Living (MIHL) includes the level of income needed for adequate nutrition, physical activity, housing, social interactions, transport, medical care and hygiene. In England there are gaps between a minimum income for healthy living and the level of state benefit payments that many groups receive.

Despite important steps made by the Government to tackle child poverty, the proportion of the UK population living in poverty remains stubbornly high, above the European Union average and worse than in France, Germany, the Netherlands and the Nordic countries. Employment policy has helped, but the UK benefits system remains inadequate.

Figure 9 shows that, after taking account of both direct and indirect tax, the taxation system in Britain disadvantages those on lower incomes. The benefits of lower direct tax rates for those on lower incomes are cancelled out by the effects of indirect taxation. People on low incomes spend a larger proportion of their money on commodities that attract indirect taxes. As a result, overall tax, as a proportion of disposable income, is highest in the bottom quintile.

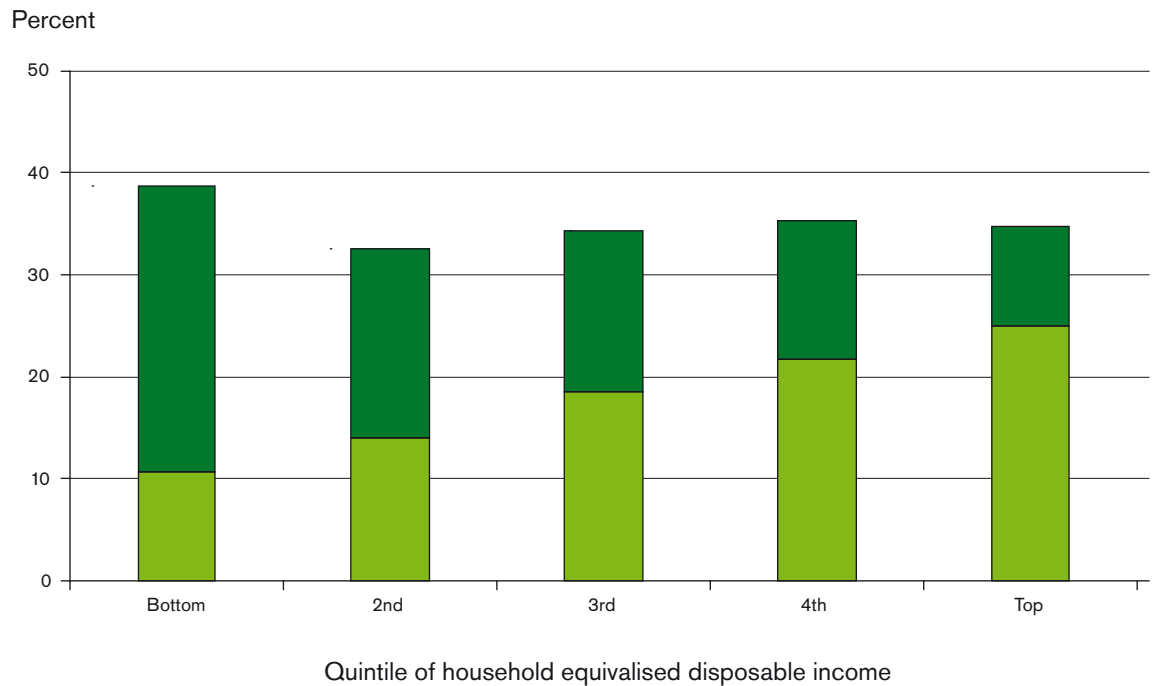
What can be done to reduce income inequalities?

State benefits increase the incomes of the worst off. Since 1998 tax credits have lifted 500,000 children out of poverty. It is imperative that the system of benefits does not act as a disincentive to enter employment. Over two million workers in Britain stand to lose more than half of any increase in earnings to taxes and reduced benefits. Some 160,000 would keep less than 10p of each extra £1 they earned. Lone parents face some of the weakest incentives to work and earn more, because many will be, or worry they will be, subject to withdrawal of a tax credit or means-tested benefit as their earnings rise.

The current tax and benefit system needs overhauling to strengthen incentives to work for people on low incomes and increase simplicity and certainty for families. The Government could do more to redistribute income and reduce poverty without harming the economy by delivering a net tax cut to people who currently face weak incentives to enter work or to increase their low levels of pay. A more progressive tax system is needed, one that includes the direct and indirect incomes that make up a person's income.



Figure 9 Taxes as a percentage of gross income, by quintile, 2007/8



■ All indirect taxes
■ All direct taxes

Source: Office for National Statistics²¹