



Housing Conditions Evidence Programme

Fuel poverty estimates for Wales: 2018

Glossary

The purpose of this document is to provide users with a glossary of terms used in the Fuel poverty estimates for Wales: 2018. This is a live document and will be updated as and when additional terms are included in publications or amended as a result of user feedback.

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Further Definitions

A number of related reports have been published as part of the '[Welsh Housing Conditions Survey \(WHCS\) 2017-18](#)' series. There is a separate [glossary](#) to encompass the terms used in these reports, many of which also appear in the '[Fuel poverty estimates for Wales: 2018](#)' series.

Economically Inactive Respondents

Economically inactive respondents includes those who are long term sick, retired or looking after home or family including those who are full-time students.

Fuel Poverty

A household is fuel poor if it cannot afford to maintain a satisfactory heating regime at a reasonable cost.

In Wales, a household is defined as being in fuel poverty if they would have to spend more than 10% of their income on maintaining a satisfactory heating regime, as recommended by the World Health Organisation (WHO). This requires a minimum indoor temperature of 21 degrees centigrade in living rooms and 18 degrees centigrade in other areas.

- **10% Definition**

A household is defined as being fuel poor if they spent more than 10% of their income on fuel. This is calculated using the equation below:

$$\text{Fuel poverty} = \text{fuel costs}/\text{income}$$

If the ratio from the above equation is greater than 0.1, the household is defined as fuel poor. The total fuel costs for a household are modelled using standard heating regimes that consider how much money the household would be required to spend on fuel costs in order to reach the established standards for comfort. This is based on recommendations by the World Health Organisation (WHO) and requires a minimum indoor temperature of 21 degrees centigrade in living rooms and 18 degrees centigrade in other areas. Any household having to spend more than 20% is defined as being in severe fuel poverty.

- **Low Income High Costs (LIHC) definition**

Under the Low Income High Costs (LIHC) definition, a household is considered to be fuel poor if:

- They have required fuel costs that are above the average (the national (UK) median level)
- Were they to spend that amount, they would be left with a residual income below the official (UK) poverty line (60% of median income).

The LIHC indicator is a relative indicator as it compares households to the national median fuel costs and income. The indicator also has another component, which indicates the depth of fuel poverty. This is defined as the reduction in fuel cost (in pounds) which is required to move the household out of fuel poverty. This is referred to as the fuel poverty gap, and is produced both as a mean (per household) amount and as an aggregate amount across all households.

Details of the LIHC indicator are included in the [methodology report](#).

Household Reference Person (HRP)

The person in whose name the dwelling is owned or rented. If jointly owned or rented it is the person who earns the most. If incomes are equal, it is the eldest.

Income

For the 10% fuel poverty indicators, two different definitions of income are required. These are basic income and full income. For the LIHC indicator, a third income definition is used which is called Equivalised After Housing Costs (AHC) income.

- **Basic Income:** This is calculated by totalling the personal incomes of everyone in the household (aged 16 and over), plus any benefit or other income source payments that the household receives (from earned income, state benefits and savings etc.) to provide the Primary Benefit Unit (PBU) income. Income from other benefit units and the Winter Fuel Payment (WFP) if applicable is then added to give the 'basic income'.
- **Full Income:** This is built upon 'basic income' by the addition of housing related income, including: housing related benefits (HB), Council Tax Benefit (CTB), and the deduction of Council Tax payable. This is the 'Full household income'.
- **Equivalised AHC income** (For LIHC): Housing costs (rent and mortgage payments) are deducted from 'full income', the relevant equivalisation factor to reflect the fact that different households have different spending requirements are then applied. This creates the final 'Equivalised AHC income'.

Satisfactory heating regime - World Health Organisation (WHO)

This requires a minimum indoor temperature of 21 degrees centigrade in living rooms and 18 degrees centigrade in other areas.

Severe Fuel Poverty

In Wales, a household is defined as being in severe fuel poverty if they would have to spend more than 20% of their income on maintaining a satisfactory heating regime, as recommended by the World Health Organisation (WHO). This requires a minimum indoor temperature of 21 degrees centigrade in living rooms and 18 degrees centigrade in other areas.

Vulnerable Households

Vulnerable households are defined as those with a person aged 60 years or over, a child or young person under the age of 16 years and/or a person who has a long term limiting condition.