

Appendix 5 – Useful Glossary of Terms used in reports on poverty and the cost-of-living

Poverty Measures

Relative poverty - this measure provides an estimate of individuals who have household incomes below 60% of the median average in the current year. An increase in relative poverty is an indication of more households falling below the average household income and are not able to meet the financial costs of a basic standard of living.

Absolute poverty - this measure provides an estimate of individuals who have household incomes 60% below the median average at a fixed point in time (currently 2010/11), adjusted for inflation. This measure helps track whether current incomes fall below the poverty level in 2010. As general living standards increase over time, absolute poverty should fall.

The term 'absolute' can sometimes be confused to mean destitution, or not being able to afford basic material essentials such as food, clothing, and housing. However, when discussing official poverty data, it is important to remember the term 'absolute' refers to relative income at a fixed point in time.

Housing costs - Both relative and absolute measures are available before housing costs (BHC) and after housing costs (AHC) are deducted from income. The after-housing cost measure is useful in the current economic climate as rising rents and property prices are a growing contributor to poverty.

Some official measures of poverty are only available before housing costs are deducted from income; therefore, it is always best to understand BHC poverty figures are likely to be higher in this current climate of rising housing costs.

Relative poverty, after housing costs is the measure primarily referenced when discussing poverty estimates in official reports and documents produced by Leeds City Council.

The Leeds Poverty Fact Book includes all four measures (where available) for reference purposes.

Normally the Fact Book provides trend analysis on poverty data to show whether poverty levels have increased or decreased year-on-year. Unfortunately, during 2020/21 and 2021/22 survey sample size and methodology on official poverty data were impacted by the Covid-19 pandemic and lockdown measures. This has meant the last two surveys were not comparable for year-on-year trend analysis and instead should be used to provide a snapshot on poverty levels in the respective year.

Cost of Living Indicators

Bank Rate - is the rate of interest set by the Bank of England's Monetary Policy Committee (MPC). The MPC aims to meet the 2% target that the Government sets to keep inflation low and stable. The Bank Rate determines the interest rate of commercial banks and influences the rates banks can charge to borrow money or pay on savings.

Consumer price inflation - the rate at which the prices of goods and services bought by households rise or fall. It is estimated by using price indices and used in the government's target for inflation.