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# **Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England**

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# PLANNING FOR HOUSING IN ENGLAND: UNDERSTANDING RECENT CHANGES IN HOUSEHOLD FORMATION RATES AND THEIR IMPLICATIONS FOR PLANNING FOR HOUSING IN ENGLAND

## Executive Summary

### Introduction

The 2011 census raises big issues for planners. In particular, average household size had not fallen as expected between the censuses but stayed constant. It seems likely that the 2011 census results – and so official household projections by DCLG for England – were influenced by both the economic downturn and the effects of a long period of poor housing affordability. In turn, this suggests that planning on the basis of these projections could lead to an under-provision of housing in some areas. In the light of this, should planners assume that household size will remain stable or resume, at least in part, the previous, falling trend? For some authorities that choice could affect the number of homes required by 30% or more.

This report, from research conducted for the RTPI by the University of Cambridge, suggests how planners and others might respond.

### Who should read this?

This report should be of interest to anyone with an involvement in planning for housing – or any other area in which the level of provision is influenced by the likely change in the number and type of households. It seeks to explain both what has happened and how the latest official projections can be used as a starting point for considering the likely rate of household growth at the local authority level.

It should be noted that this report relates only to England; different approaches to projecting household numbers are used in the other parts of the UK.

### Key messages for policy and practice

1. The Department for Communities and Local Government's (DCLG) 2011 based household projections (published in April 2013) are the latest official household projections for England and take account of the 2011 census results. As suggested in planning guidance, they are the starting point estimates for looking at household growth and housing requirements.
2. Producing projections at a time when established trends have changed significantly is challenging. Those using the projections should be aware of their inevitable limitations and use them appropriately.
3. The key issue is whether the trends that have been projected forward in the latest projections are likely to continue unchanged.
4. There are two reasons why those trends may not continue unchanged:
  - Increased international migration in the first decade of this century may have been responsible for a significant proportion of the changes to previous trends in household formation patterns. The further increases in international migration that would be needed for this factor to continue to apply

are perhaps unlikely. (A continuation of recent rates of international migration should not have a further effect on household formation rates.)

- It seems likely that the 2011 census results were influenced by both the economic downturn and the effects of a long period of poor housing affordability. If conditions in the housing market and the economy more generally improve there may be a return towards previous trends.
5. Both of these factors suggest that planning on the basis of the latest projections could lead to an under-provision of housing.
  6. It should also be recognised that the latest projections are interim projections produced before the full census results were available. In some areas this meant that trends from previous projections had to be used. This may have affected the estimation of population flows between local authorities, in some cases producing population growth projections that are either higher or lower than is likely.
  7. In using the projections as a starting point for considering likely levels of household growth at the local authority level the following issues should be taken into account:
    - **To what extent has the pattern of household formation in the area been affected by an increase in international migrants?** The volume international migration varies considerably from area to area – and with it the likely impact that increased international migration may have had on household formation patterns.
    - **The extent to which household formation patterns have departed from previous trends.** This can be investigated by comparing household formation rates in the latest projections with those which underpin the 2008-based projections. For some age groups in some authorities the latest projections suggest that household formation rates will continue to fall. Authorities will wish to consider whether this is a prudent basis on which to plan.
    - **Whether there have been significant changes in the projected net flow to or from other local authorities.** Where this is the case it may be a consequence of the use in the interim projections of flow rates from earlier projections. In such cases it might be appropriate to adjust the projected flows.
  8. Authorities need to consider their own specific situation carefully in the light of what the latest projections suggest for their area. They should ensure that their plan is robust to the potential range of outcomes and review that plan regularly to see if changes are needed.

This report is based on research conducted for the RTPi by Neil McDonald and Peter Williams at the University of Cambridge, funded through the RTPi's Small Projects Impact Research (SPIRe) scheme.

## The issue

The 2011 census showed that there had been substantial changes in the patterns of household formation in England in the first decade of the century. There were significant departures from previous long term trends and sizeable differences between what the census found and what had been envisaged in the most recent previous official projections, the Department for Communities and local Government's (DCLG's) 2008-based household projections.<sup>1</sup> In particular, the average household size in England did not fall between the 2001 and 2011 censuses despite a growing older population.

At the local authority level there were both substantial changes in the patterns of household formation and significant differences between one authority and another. In some authorities the average household size fell between the 2001 and 2011 censuses whilst in others it rose.

The changes have major implications for those planning for housing. If what has happened over the last ten years is indicative of a new long term trend then for most authorities housing requirements are likely to be lower than suggested by DCLG's 2008-based household projections – as the latest 2011-based DCLG projections suggest. If, however, the 2011 census results are just a short term departure from previous trends then housing requirements are likely to be closer to or even higher than the 2008-based projections. For some authorities the difference between the two scenarios could be 30% or more.

This report seeks to explain the changes in household formation patterns and discusses whether those changes are likely to be short or long term. It then explores how the DCLG's latest household projections, which reflect the 2011 census (the 2011-based interim household projections<sup>2</sup>), can be used as a starting point for assessing housing requirements at the local authority level.

## How the patterns of household formation changed in the first decade of this century

2011 census found 450,000 (0.86%) more people in England than projected in the Office for National Statistics' (ONS)<sup>3</sup> 2010-based population projections.

There were significant variations from region to region, with the biggest proportional difference between the projections and the census being in London. However, in all regions other than the North East, more people were found in the census than the projections has suggested. Chart 1 shows the regional variations.

In contrast, the census found 290,000 (1.3%) fewer households in England than projected in DCLG's 2008-based population projections. DCLG analysis suggests that, if a correction is made for the higher population found in the census, this difference becomes 375,000 (DCLG 2013, page 14, Table 6).

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<sup>1</sup> Department for Communities and Local Government. (2010) *Household Projections, 2008 to 2033, England*. <https://www.gov.uk/government/publications/household-projections-2008-to-2033-in-england>

<sup>2</sup> Department for Communities and Local Government. (2013) *Household interim projections, 2011 to 2021, England*. <https://www.gov.uk/government/publications/household-interim-projections-2011-to-2021-in-england>

<sup>3</sup> Office for National Statistics. (2012) *2010-based subnational population projections for England* <http://www.ons.gov.uk/ons/rel/snpp/sub-national-population-projections/2010-based-projections/stb-2010-based-snpp.html>

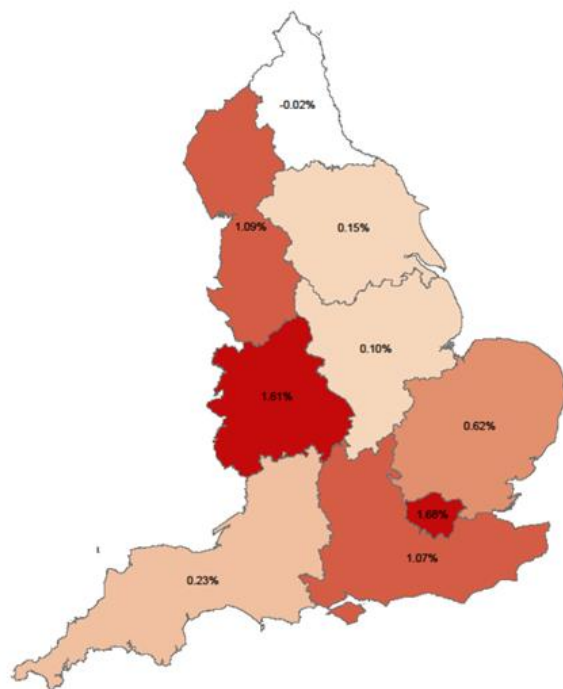
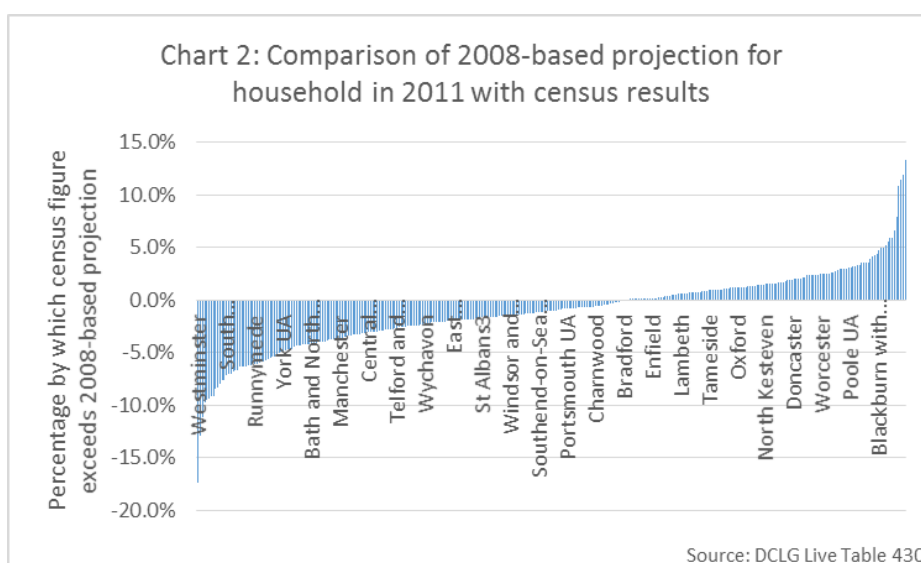


Chart 1: Percentage by which 2011 census population estimate exceeded 2010-based population projection. Source: ONS

As with the population figures, there is considerable variation between the regions and individual authorities. Chart 2 compares the 2008-based household projection for English local authorities in 2011 with the 2011 census results. The variation is from 17% fewer households in the census and 13% more,<sup>4</sup> compared with the 1.3% fewer households found in England as a whole.

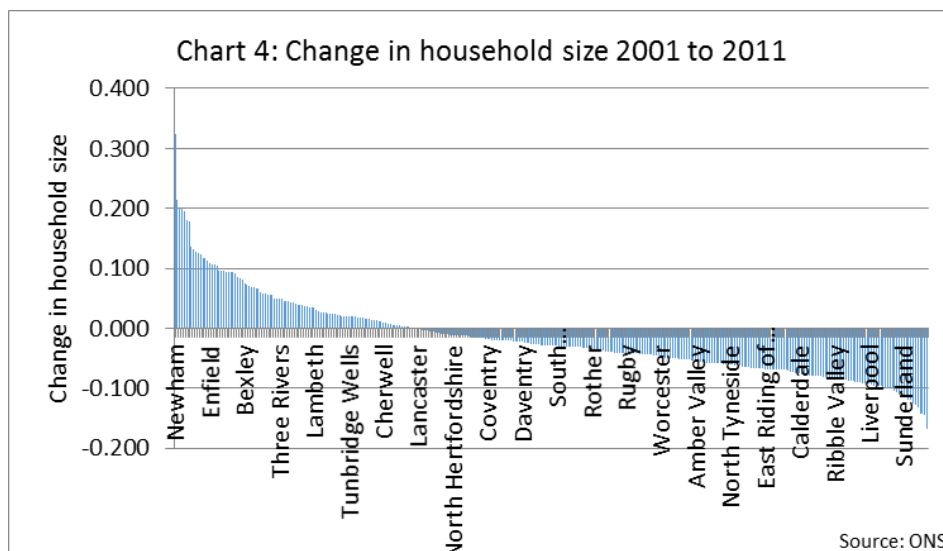
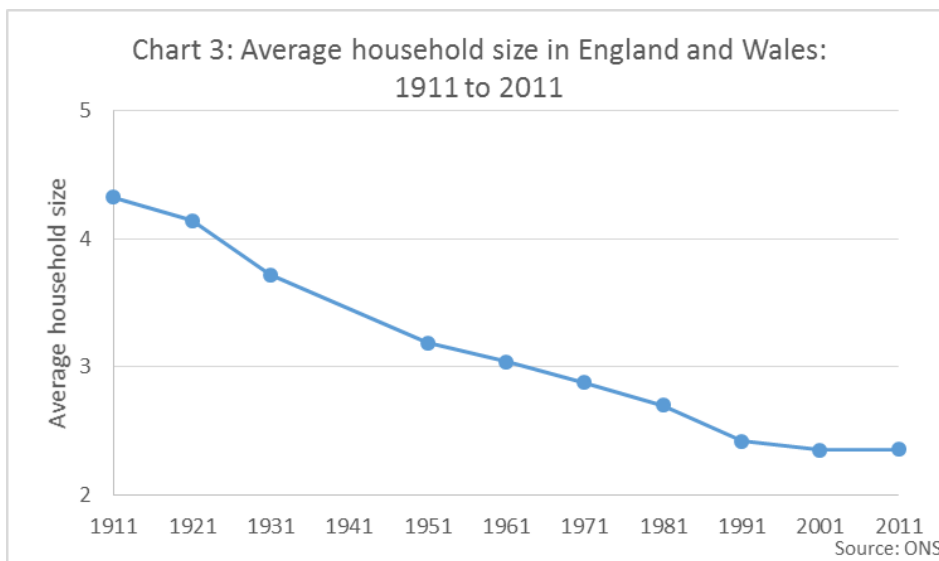
Finding more people but fewer households than expected implies that the average household size was larger than anticipated. In fact, average household size in 2011 was almost exactly the same as in 2001, the first time for at least 100 years it had not fallen between censuses (see Chart 3).

At the local authority level there was considerable variation in the change in household size, with around a third of authorities seeing some growth in household size between the 2001 and 2011 censuses and most of the remainder a fall (see Chart 4).



Source: DCLG Live Table 430

<sup>4</sup> This range excludes the City of London which is often anomalous. In the City the census found 41% fewer households than suggested by the 2008-based projections.



It might be thought that these changes are relatively small. For example, the difference between projected and actual household numbers in England at 375,000 is only 1.7% of the total number of households. However, this shortfall means that the growth in the number of households between 2001 and 2011 was 20% slower than had been projected. As it is the change in the number of households that is important when planning for housing, these changes are highly significant

### What caused the changes in household formation patterns?

Two reasons have been suggested for the changes in household formation rates:

- **Increased international migration.** New migrants to the UK tend to live in larger households than those who have been born here or have lived here longer. As a consequence, the more recent migrants there are in the population then, all other things being equal, the larger the average household size will be. Research by Alan Holmans at the University of Cambridge (in *New Estimates*

of *Housing Demand and Need in England*<sup>5</sup>, 2011) has suggested that over half of the difference between the projected and actual numbers of households in 2011 can be explained by this cause.

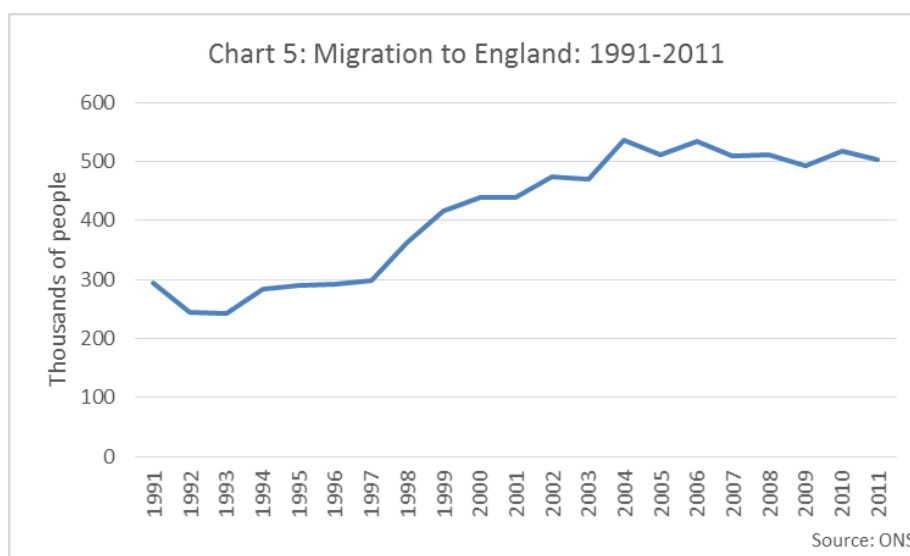
- **Changes to household formation patterns** amongst the rest of the population, including adult children living longer with their parents and more young adults living in shared accommodation.

The next two sections of the report discuss these factors in turn.

### Impact of increased international migration

There is evidence<sup>6</sup> that, age for age, recent migrants to the UK tend to have lower household formation rates than those who were born here or have been here longer and that after an initial period their household formation patterns tend to mirror the rest of the population.

In the years between the 2001 and 2011 censuses the inflow of migrants to the UK was substantially greater than it had been in the previous decade (see Chart 5). As a result of the increased inflow there will have been considerably more recent migrants in the population in 2011 than in 2001. This factor was not allowed for in the 2008-based projections and as a result those projections overestimated household formation rates and underestimated average household size. Alan Holmans estimates (Holmans 2013) that this accounts for 200,000 of the 375,000 difference between the 2008-based projection for the number of households in England and the census figure, leaving 175,000 to be explained.



### Changes to household formation patterns

The fact that there were fewer households than expected in 2011 means that household formation rates (which measure the tendency of groups of people to form households) were lower than expected. To understand why this happened (insofar as it is not fully explained by increased international inflows) it is helpful to look in more detail at household formation patterns, starting with the age breakdown. Chart 6 compares the 2008-based projections for household formation rates in 2011 with the census-based figures.

<sup>5</sup> Holmans, A. (2013), *New estimates of housing demand and need in England, 2011 to 2031*, London, TCPA. <http://www.tcpa.org.uk/pages/new-estimates-of-housing-demand-and-need-in-england-2011-to-2031.html>

<sup>6</sup> Holmans, A with Whitehead, C. (2006) *More Households to be Housed – Where is the Increased in Households Coming From?* London, TCPA. <http://www.cchpr.landecon.cam.ac.uk/projects/detail.asp?ProjectID=90>

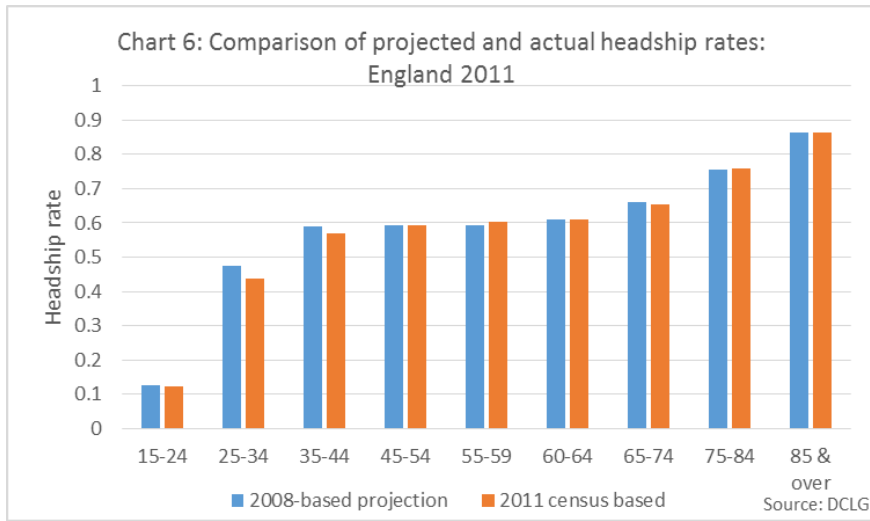
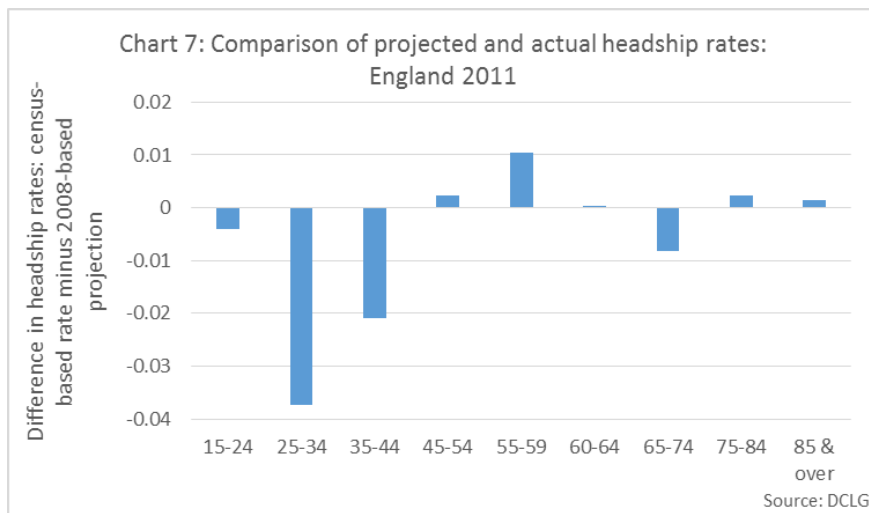


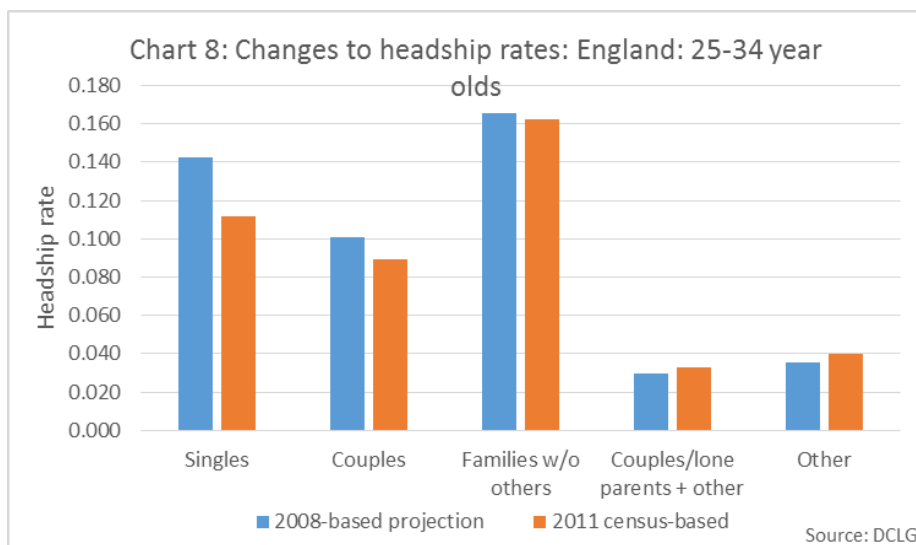
Chart 7 shows the differences between the projections and the actual figures, making the relative size of the differences much easier to see.

It is clear from Chart 7 that the big differences are in the 25-34 and 35-44 age groups. These therefore merit further investigation.



DCLG prepare their household projections using 17 household types and it is possible to compare the 2008-based projected household formation rates with the 2011 census-based figures for each of these. However, it is easier to see what is happening if households are grouped into 5 broad types, as in Chart 8 which shows those household types for 25-34 year olds in England.





As can be seen from the chart, the biggest reduction in this age group is in single person households, suggesting that fewer people in this age group are setting up home on their own than had previously been projected. There is also a reduction in the number of couples living on their own, suggesting that couple formation has been delayed compared with what had been expected.

The question is, 'What has happened to those who were projected to set up single person and couple households but have not done so?'

The increase in 'Other' households provides a clue. 'Other' includes people living in shared accommodation and sharing facilities i.e. those living in shared flats and houses as many do when they first leave the parental home as this is much cheaper option than renting a flat on your own. The headship rate data is consistent with more people in this age group living in such accommodation. This could be the result of either more people moving to shared houses or flats rather than individual accommodation or people spending longer in shared accommodation before 'moving up' to a house or flat on their own.

The increase in 'Other' households is not big enough to account for all of the single and couple households that have not formed. That can only be part of the explanation.

A clue to what else has happened can be found by looking at the age groups that contain the parents of 25-35 year olds. Chart 9 compares the 2008-based projected headship rates for 55-59 year olds in 2011 with the rates derived from the census.

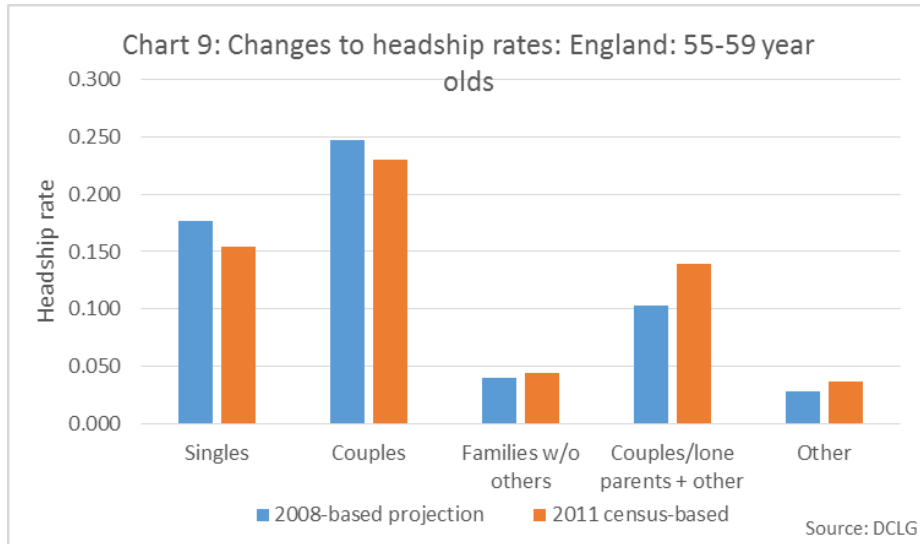
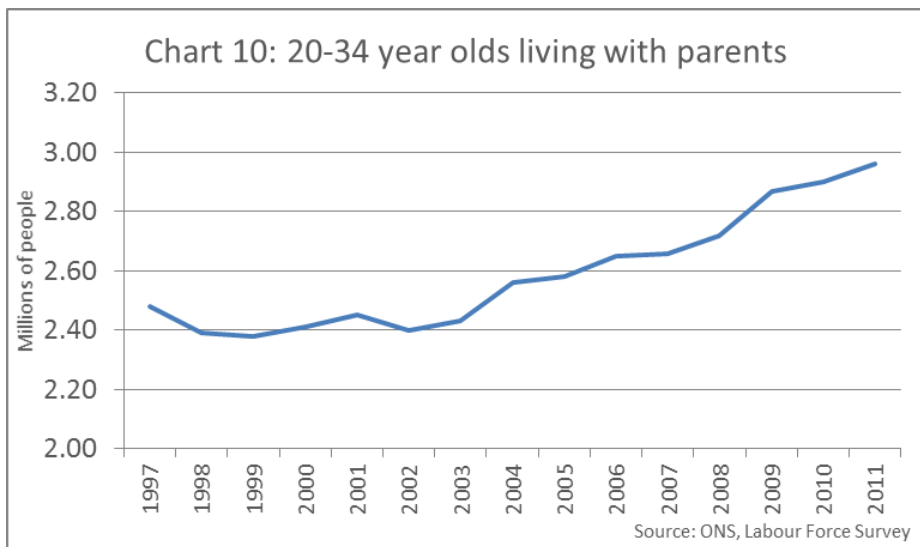


Chart 9 shows that there has been a sizeable increase in couples and lone parents living with other adults – which would include grown-up children living with one or both of their parents.

There is separate evidence<sup>7</sup> from the Labour Force Survey (LFS) that suggests that in 2011 there were ½ million more 20-34 year olds living with their parents than in 2001, an increase of 21% (see Chart 10).



In view of this evidence it seems reasonable to conclude that a major factor in the change in household formation rates is young adults either living in the parental home for longer or living in shared accommodation rather than in separate accommodation.

It should be noted that this is not the full story: there have been other changes in other age groups. For example, the reduction in single person households is not confined to younger adults: across all age groups there were nearly a million fewer one person households than expected. The full picture will only become clear when the detailed census data becomes available.

<sup>7</sup> Young Adults Living With Parents in the UK, 2011, ONS, 29 May 2012, <http://www.ons.gov.uk/ons/rel/family-demography/young-adults-living-with-parents/2011/young-adults-rpt.html>

## **Are these changes a short-term departure from previous trends or the beginning of new, long term trends?**

The 'recent international migrant' effect and the changes to the household formation patterns of the rest of the population need to be considered separately.

The 'recent international migrant' effect was due to there being more recent migrants in the population in 2011 than had been the case in the years from which the household formation rate trends had been projected forward – the decade before the 2001 census and earlier. If there is no further increase in international migration (which seems a reasonable assumption given Government policies to reduce migration), there should be no increase in the number of recent migrants in the population as the previous decade's recent migrants will either have left or become established residents living in similar household sizes as the rest of the population. With no increase in the number of migrants living in larger households, there should be no further impact on average household size.

If on the other hand there is a reduction in the inflow of international migrants this will have an impact on both the projected population growth and average household formation rates. In that case household formation rates would need to be adjusted to reflect the different mix of recent migrants and longer term residents.

It should be noted that, if more than half of the apparent reduction in household formation rates has been due to increased international migration, the change in household formation patterns for the bulk of the population has been smaller than might otherwise have been surmised.

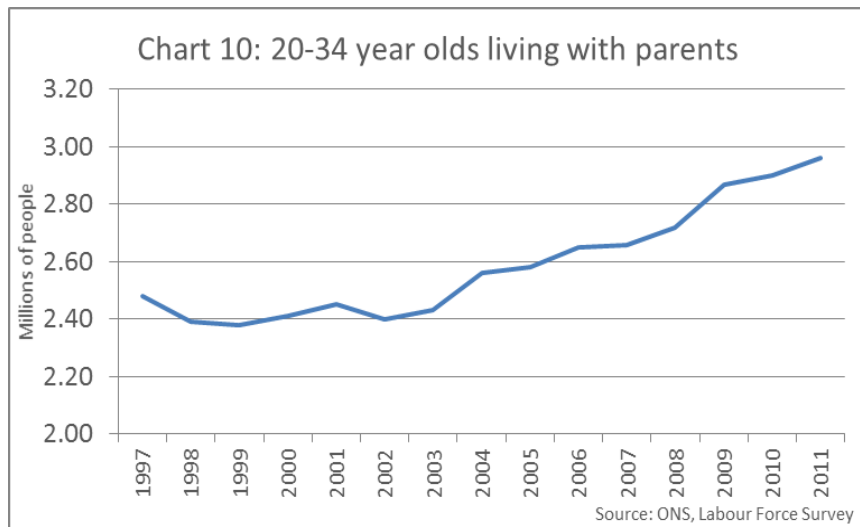
The available evidence on what has caused the changes in household formation patterns in the rest of the population suggests that the changes are likely to have been 'forced' changes rather than changes that are 'free choices'. For example, more young adults living with parents are likely to be the result of young adults not being able to afford to set up home on their own – a choice forced by a combination of economic circumstances and the cost of housing – rather than a free choice driven by a desire of young people to see more of their parents.

Insofar as the changes are 'forced' it is generally reasonable to expect that they will reverse if and when conditions improve. The question then becomes, 'What conditions would need to improve for this to happen?'

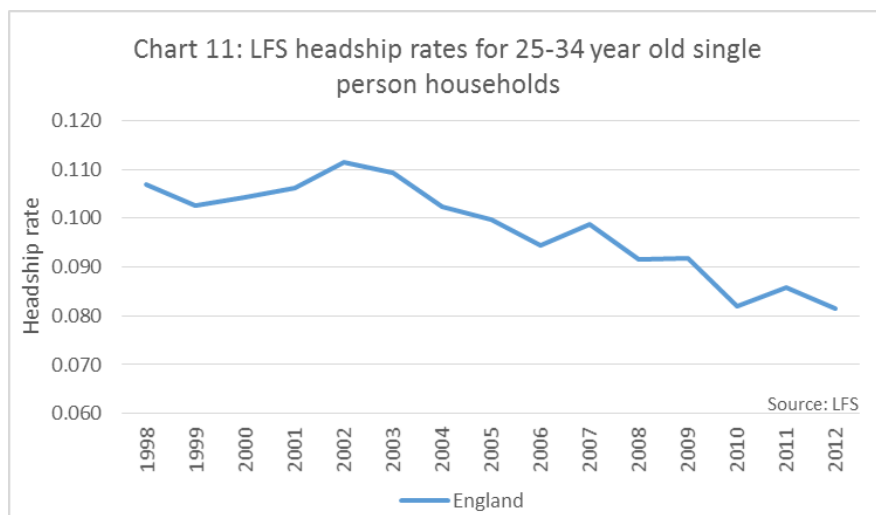
There is evidence that the changes that have occurred were underway before the credit crunch (Whitehead and Williams, 2012).<sup>8</sup> This is supported by the evidence on the growth in the number of adult children living with parents (Chart 10) which suggest that those changes were underway well before 2007-08. There is additional evidence from the Labour Force Survey (LFS) showing that household formation rates for 25-34 year olds were also falling before 2007-08 (see Chart 11).

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<sup>8</sup> Whitehead, C and Williams, P (2011) Causes and consequences? Exploring the shape and direction of the housing system in the UK post the financial crisis, *Housing Studies*, 26,8, pp.1157-1170.



This all suggests that, whilst a return to stronger economic growth and more ready access to mortgage finance will be an important factor, it will not be sufficient on its own, at least in some parts of the country.



It should be noted here that it is by no means inevitable that the availability of mortgage finance will return to the position that existed before 2007. Given the changes in the regulatory regime, the general view is that a degree of structural change has been 'hard wired' into the way that market operates (Wilcox, 2013)<sup>9</sup> and that this will have an impact upon access to mortgages and thus to home ownership. However, it is not clear at this stage what the scale of those impacts will be: will they deny 10% of would-be buyers or 20%? Given recent government measures it is going to take some time for this to be clear.

The other key factor is likely to be the affordability of housing – the relationship between the cost of housing and earnings. This depends both on the rate at which earnings grow and on what happens to house prices. Without substantial improvements in the supply of housing, the prospects for improved affordability, or even the prevention of a further deterioration, are not good in the short term.

<sup>9</sup> Wilcox, S (2013) Rebalancing the housing and mortgage markets – critical issues, a report for the Intermediary Mortgage Lenders Association, June.

## Projecting future household growth in uncertain times

A situation in which there have been significant changes to previous trends and there is uncertainty as to whether those changes are temporary or indicative of a new long term trend presents real challenges for those seeking to project future household numbers. The approach adopted by those who compiled the 2011-based Interim household projections was based on a '2-point' method, the two points being derived from the 2001 and 2011 censuses. This gives considerable weight to the direction of travel between the two census dates, in effect, assuming that that direction of travel will continue until at least 2021.

The implications of this vary considerably from area to area and it should be considered on an authority by authority basis whether the resulting local area projection is the most appropriate basis for planning: the projection should not be adopted uncritically. Instead the projections should be used as a starting point, providing as they do a mutually consistent set of local authority projections based on the 2011 census figures for population and households. If it is concluded that the assumptions made in the projections are not the most appropriate basis for planning it is possible to make adjustments to them and produce revised projections. This would, of course, have implications for surrounding areas and those implications need to be carefully considered, ideally in consultation with the local authorities concerned.

The next section looks at what the latest household projections suggest and then considers how the way in which they have been compiled has affected the numbers they produce. That then provides a basis for reviewing the figures for any individual authority, enabling a considered view to be taken on what an appropriate basis for planning might be.

### The latest DCLG household projections

The latest DCLG household projections (DCLG 2013) suggest that the number of households in England will grow at an average of 221,000 households a year between 2011 and 2021. This is 10% slower than suggested by the 2008-based household projections, which suggest a growth rate of 245,000 households a year over that period.

At the local level there is considerable variation around the national figure. There are 41 authorities for which the average household growth rate it is more than 20% faster and 137 for which it is more than 20% slower. Chart 14 plots the changes in household growth rates at the local authority level. Some adjoining local authorities have very different changes in household growth rates.

The latest DCLG household projections have, been produced by applying projected household formation rates derived from the 2011 census results to the ONS's 2011-based interim population projections.<sup>10</sup> To understand those household projections and the considerations that need to be borne in mind in using them it is therefore necessary to look first at the 2011-based population projections and then at the household formation rates that have been applied to them to produce the household projections.

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<sup>10</sup> Office for National Statistics (2012) *Statistical bulletin: Interim 2011-based subnational population projections for England*. <http://www.ons.gov.uk/ons/rel/snpp/sub-national-population-projections/Interim-2011-based/stb-2011-based-snpp.html>

% by which 2011-based projection is higher than 2008-based figure

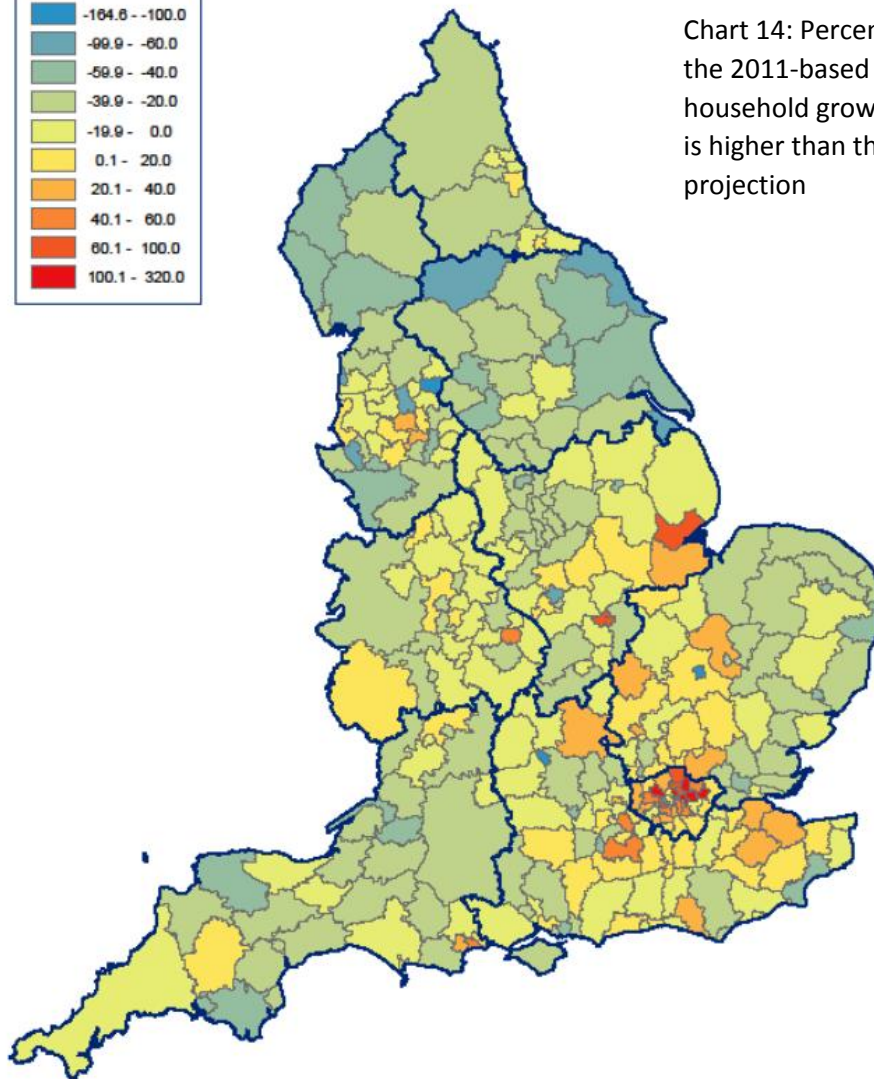
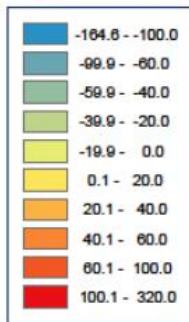


Chart 14: Percentage by which the 2011-based projected household growth for 2011-21 is higher than the 2008-based projection

### The ONS's 2011-based Interim population projections

The latest ONS population projections are very clearly labelled as 'interim' projections reflecting the fact that they were produced relatively quickly following the 2011 census and before the full results from the census were available. This meant that they had to use some trends from the 2010-based population projections. This was not ideal and in some areas, as the ONS themselves acknowledge (ONS 2010, pages 3 and 4), it has resulted in inaccuracies.

The area in which the use of trends from the 2010-based population projections has had the biggest impact is probably fertility rates. In some areas the 2011 census revealed more women of child bearing age than anticipated in the 2010-based projections. This meant that fertility rates in these areas will have been over-estimated as the number of children born will have been produced from a larger group of potential mothers than previously thought, with the result that the number of births per women will have been lower than it was thought to be. The net result of using unadjusted fertility rates is that too many births will have been projected in some areas. However this will not have a significant impact on household numbers as children do not form households.

Of much greater consequence for the local authority area household projections is the similar effect on migration rates, on which ONS comments as follows:

Differences in the age structure at local authority level have also resulted in changes to projected levels of internal migration, that is, people moving their area of residence from one local authority to another within England. This is because migration rates based on historic trend data are applied to the new population base. Where the size and structure of the new population base in a local authority is very different from the 2010-based projections for 2011, particularly at ages most likely to migrate, the applied migration rate may over or underestimate the number of people moving from an area (ONS 2012, page 4, fifth paragraph).

The significance of this could be substantial for some local authorities as for many authorities net migration from the rest of the UK is the largest driver of population growth. That net figure is often a small difference between the gross 'in' and 'out' flows. That means that if there is a small percentage error in the projected gross flows there could be a large percentage impact on the estimated rate of population growth, and hence the number of households.

It should also be noted that there are two other changes between the 2008-based and 2011-based projections which have caused the local authority level numbers to change significantly:

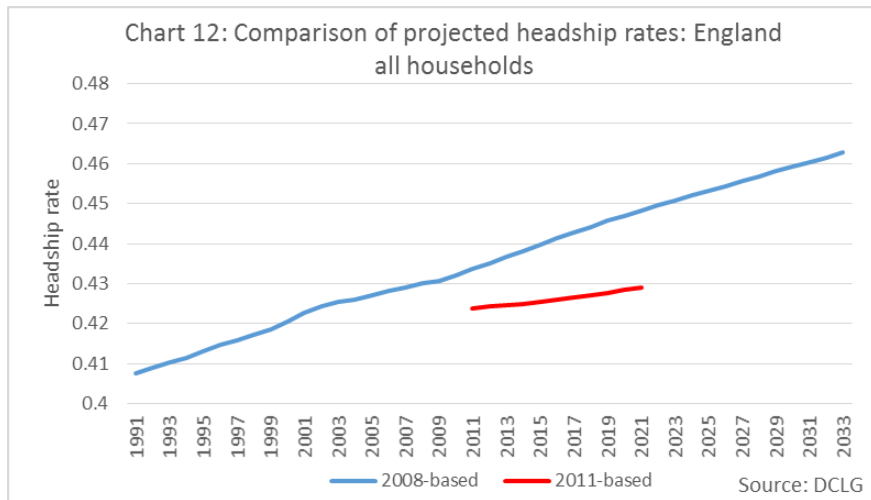
- **Increased international migration.** Between the 2008-based and 2011-based projections the assumed net level of international migration was increased from 157,000 to 188,000 people a year.
- **Improvements in the methodology used to identify which local authorities migrant end up in.** This has long been a difficult area but a new methodology has now been introduced under the ONS's Migration Statistics Improvement Programme (MISP). Previously the International Passenger Survey (IPS) was used to allocate migrants first to regions and then to smaller geographies, with the final allocation to local authorities being based on modelling. Under the MISP administrative data is used to distribute the national totals to local authorities. For example, national insurance data is used to distribute migrant workers; and data from the Higher Education Statistics Agency to distribute students. This should result in more reliable figures.

### **Household formation trends in the latest DCLG projections**

As already noted, the starting point for the 2011-based projection is the 2011 census results, which indicated household formation rates significantly lower than the 2008-based projection. The projected forward trend reflects the fact that the 2011 census data point is not as high relative to earlier data points as envisaged in previous projections. This has resulted in the projected headship rates being significantly lower than in the 2008-based projection and diverging from them.

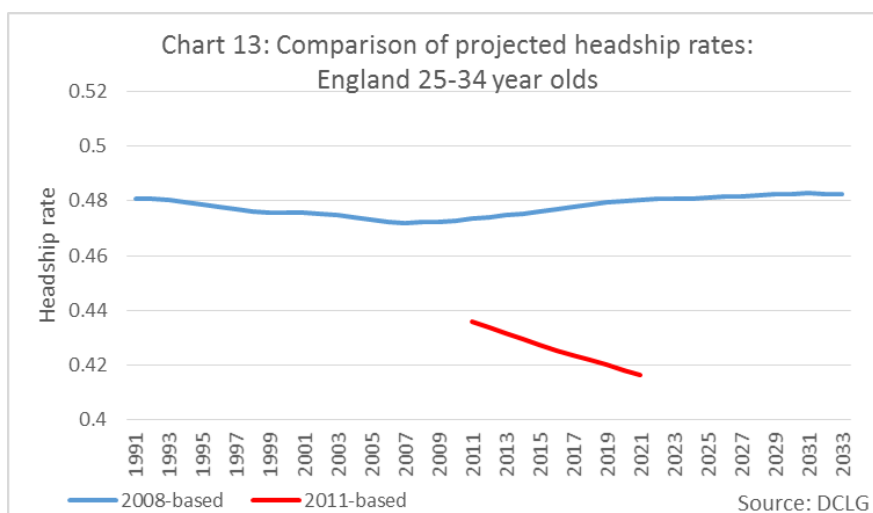
The overall position can be illustrated by Chart 12 which compares the overall household formation rates projected in the 2008-based projections and the latest, 2011-based interim projections. The 2008-based projections can be taken to represent the previous long-term trend.





As already discussed, over half of the difference between the 2008-based projection and the census results appears to have been due to the ‘recent international migrant’ effect. This is unlikely to have a continuing effect depressing the overall household formation rate, unless there is a further increase in the inflow of international migrants. The projections do not make allowance for the ‘one off’ impact which the ‘recent international migrant’ is likely to have had. If this were taken into account the forward trend line would diverge from the 2008-based projection at a slower rate. This would suggest a faster growth in household numbers than in the official 2011-based projection.

The 2011-based projection also does not make any allowance for a potential return towards the previous trend. Indeed, it assumes a growing divergence from that trend. This is perhaps brought out most starkly by the comparison of the headship rates for 25-34 year olds in Chart 13.





As can be seen from the direction of the red line, the 2011-based projection envisages that a smaller and smaller proportion of 25-34 year olds set up households, not just that the proportion remains at the 2011 level. This seems unlikely in current conditions. Users of these projections should consider whether that is an appropriate assumption, based, of course, on the comparable data for the local authorities concerned. It is relatively straightforward to construct alternative scenario assuming, for example, that there is no further fall in household formation rates from the 2011 level or that there is a partial return towards the previous trend.

An indication of the size of the impact made by the lower household formation rates in the 2011-based household projections is the way in which they turn a projection of faster population growth into a slower household growth estimate. ONS's 2011-based population projections for England suggest the population will grow 19% faster in the period 2011-21 than was suggested by the 2008-based projections. However, when the latest household projections apply their lower projected household formation rates, this faster growth in population becomes a household growth rate that is 10% slower than the 2008-based projections.

### **Using the latest DCLG projections**

In view of the above analysis of factors which have affected the 2011-based household projection it is suggested that the following steps are followed in using the projections to estimate housing requirements:

**Understand how the latest projections compare with the 2008-based projections.** This is an obvious step if the latest projections suggest household growth rates that are either significantly higher or lower than the earlier projections. However, it can also be worthwhile even if the headline annual household growth figure is little different from the 2008-based number as this may be the result of a number of factors cancelling each other out.

It is also possible that, whilst the total number may not have changed, the composition of the population may have different. In particular:

- Changes to international flows may be due to the assumption that net international migration will be higher than assumed in the 2008-based projections or the result of the redistribution of migrants between local authorities as a consequence of the Migration Statistic Improvement Programme. In either case there would need to be a very good reason to change the suggested figures.
- Large changes to net migration flows within the UK should be investigated. They may be affected by the use of flow rates from the 2010-based population projections, in some cases causing unrealistic increases or decrease in the projected net flows. The projected flows should be compared with past flows and a view taken on whether they are a reasonable basis for planning.

**Consider whether the headship rate trends in the latest projections are a prudent basis for planning.** Comparing the headship rates in the latest projections with the 2008-based projections should provide an insight into how the new trends compare with the previous long term trends. Trends which assume that household formation rates for some groups will continue to fall should be looked at particularly closely. The extent to which the patterns of household formation may have been affected by an increase in international migration should, in particular, be considered. The implications of assuming that, for example, headship rates do not continue to fall in any age group could usefully be tested as an alternative scenario.

**Extend the projections beyond 2021 to the end of the plan period, considering the impact of alternative scenarios which reflect a range of different assumptions.** The latest projections only cover the period 2011

to 2021, presumably because of the compromises that have had to be made to produce them so quickly after the census. It is possible to extend these although that should be done with care. A simple extrapolation of numbers will not pick up the changes that are likely to occur as the population ages. A more sophisticated extension of the projections will simply tell you what would happen if the trends assumed were to continue, which may not be the most likely outcome. Extended projections should therefore be produced for a range of different scenarios.

**Estimate what the range of potential outcomes is.** No one can say whether or not household formation patterns will return toward previous trends or, if so, how quickly. Similarly there are inevitable uncertainties attached to both international migration and flows to and from the rest of the UK. Estimating how much difference a plausible range of assumptions might make should provide a useful indication of how much flexibility should be planned for as well as helping to guide the choice of a central planning assumption.

**Produce plans that are flexible enough to accommodate the potential range of outcomes.**

**Monitor what actually happens and be ready to adjust the plan.**

### **How could Government help?**

Freely available official population and household projections for local authority areas which are refreshed every two years are major assets, but assets whose potential is far from fully exploited. More help is needed to enable to enable planners and other professionals to use them intelligently and confidently.

The changes which occurred between the 2008 and 2011-based household projections illustrate that we live in times of significant change in which uncertainty is inevitable and needs to be managed. The statistical bulletins and releases which accompany the projections make it clear that they are projections, not forecasts, and that they only tell you what is likely to happen if the trends on which they are based continue – which they may not, particularly in today's environment. Two steps could help practitioners understand what this means in practice for a particular authority.

- **Publishing in a simple and accessible form the past and projected data for the key drivers of change** – births, deaths, flows in from and out to the rest of the UK and flows in from and out to the rest of world. This data exists and can be accessed on the ONS website for those with sufficient patience and persistence. Presenting simple tables and charts showing for each driver of change what has happen in each local authority for the last ten years and what is projected to happen in the future would enable users to see in a concrete form what is driving the projections for their area and take an informed view on how realistic the projections are. For the 2011-based projections such a presentation would have enabled users to identify cases in which what is projected to happen does not seem to fit with what has happened and investigate accordingly. It would also help in spotting cases in which an exceptional event like a one-off urban extension or the closure of a major factory may have distorted the past trend, suggesting that the projection needs to be adjusted if it is to provide a reliable guide to what is likely to happen.
- **Preparing sensitivity analysis at the local authority level.** ONS and DCLG already produce projections for variant scenarios at the national level giving users some indication of, for example, the impact which increased international migration might have on the number of households. Something similar could be produced at the local authority level, perhaps through an interactive tool. This would enable users to see what the implications for their authority would be of, say, higher births rates or a return to the household formation rates envisaged in the 2008-based projections. Armed with that understanding local authorities and others would be much better placed to gauge the range of uncertainty the need to plan for.

## **Conclusion**

This is a difficult time to plan for housing. Over the last 10 years household formation patterns have departed significantly from the previous long term trends and there is considerable uncertainty as to what will happen over the next 20 years. Authorities need to consider their own specific situation carefully, taking the latest DCLG projections as their starting point and using the guidance above to identify the potential range of outcomes. Plans should be robust to that range of outcomes. They should then be reviewed regularly and adjustments made if need be.



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## About the research

This report is based on research conducted for the RTPI by Neil McDonald and Peter Williams at the University of Cambridge, funded through the RTPI's Small Projects Impact Research (SPIRe) scheme.

## Further information

The report is available on the RTPI website at: [www.rtpi.org.uk/spire](http://www.rtpi.org.uk/spire)

## About the RTPI

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