

Cambridge Centre
for Housing &
Planning Research

Choice of Assumptions in Forecasting Housing Requirements

Methodological Notes

March 2013



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Introduction

It is an old adage that forecasts depend on the assumptions made. In the case of forecasts of housing requirements the choice of assumptions can make a dramatic difference.

This set of short notes is intended to help local authorities and others using the official population and household projections¹ as the basis for planning for housing to consider whether there is a case for modifying the assumptions behind those projections in order to arrive at more appropriate estimates for an individual authority.

Our general conclusion is that such modifications are best restricted to sensitivity tests as the official estimates are generally seen as the best available and are therefore likely to carry substantial weight at examinations and inquiries.

Approach

1. In planning for housing at the local authority level projections need to be made not just of the future population in the area but also of the number, type and age of households. The population projections made by the Office for National Statistics (ONS) and the household projections made by the Department for Communities and Local Government (DCLG) provide a ready-made and widely accepted basis for doing this.
2. ONS and DCLG both emphasise that their figures are projections, not forecasts. They estimate what the effect would be if trends were to continue. Local authorities and others may therefore wish to consider whether the 'trends continue' assumption is the most appropriate to make for their area.
3. The future population in any area will be the current population plus births, less deaths, plus those who arrive, less those who leave. Those arriving and leaving can usefully be divided into those moving to and from other parts of the UK and those arriving from abroad or moving abroad. The number and type of households will then depend on the assumptions made of the rate at which men and women of different ages form households of different types.

¹ The Office for National Statistics (ONS) and the Department for Communities and Local Government (DCLG) produce 25 year projections for population and households respectively about every two years. The latest household projections published by DCLG were for the period 2008 to 2033 and were released in November 2010 – see <https://www.gov.uk/government/publications/household-projections-2008-to-2033-in-england>

4. The five notes look in turn at the following areas: births, deaths, flows to and from the rest of the UK; flows to and from abroad; and rates of household formation. They discuss the extent to which there might be uncertainty surrounding the assumptions made and the impact any uncertainty might have on the number and type of households to be planned for. In some cases use is made of the sensitivity analysis prepared by DCLG when the projections were published. In all cases the notes in effect ask the question, “To what extent might it be legitimate to vary the assumptions made in the official population and household projections?”

Summary of conclusions

5. The main conclusions are:

a. **Births:** Variations in birth rate assumptions could only have a negligible impact on the number of households to be planned for as the overwhelming majority of those who will form households during the projection period were born before the period began.

b. **Deaths:** Whilst death rates could differ from those assumed, the impact of quite wide variations to the assumptions made in the official projections on the number of households would be small. For practical purposes this area of potential uncertainty is not significant in planning for housing.

c. **Flows to and from the rest of the UK (internal migration):** The potential uncertainty here is much larger as a number of factors, including the number of homes built in a local authority area, could affect future flows. The National Planning Policy Framework (NPPF) makes it clear that account is to be taken of migration. This suggests that it is not open to an authority simply to make whatever assumption it chooses on flows to and from the rest of the UK and that assumptions that imply a departure from recent trends (on which the official projections are based) would need to be carefully justified.

The “Duty to Co-operate” is relevant here as any decision not to plan for a continuation of the flows that have taken place in the past would have an impact on the areas from which people move to the planning authority in question. There could also be impacts on the areas that receive people from the authority.

Some local authorities may wish to argue that to accommodate the projected net flows would have adverse impacts that outweigh the benefits of providing additional homes – a justification for not planning to meet the objectively assessed needs of an area that is specifically referred to in the NPPF. However, we suggest that in such cases, unless clear evidence can be provided that those not being planned for will be adequately accommodated elsewhere, then the adverse impact of providing housing should be weighed against the adverse impact on those who may as result have to live in overcrowded or shared accommodation or be prevented from forming a household at all. There may also be broader impacts on other authorities, increasing the housing pressures they face. That said, it has to be acknowledged that there are some authorities that are not physically able to accommodate the projected growth in households or where to do so would have severe adverse impacts.

d. **International migration flows:** International migration has varied considerably over the last 20 years. However, DCLG's sensitivity analysis shows that relatively wide variation in net flows (+/- 38%) would have much smaller impacts (+14/-13%) on the number of extra households formed in England as a whole. We therefore suggest that local planning authorities with relatively small international flows should not regard this as an area of significant uncertainty.

For authorities with large international flows the uncertainty could be significant but it is difficult if not impossible to predict which way flows might move. We therefore suggest that estimates of the scale of the uncertainty – potentially informed by DCLG's analysis of high and low migration scenarios – should be used to determine how much flexibility an authority should build into its planning for housing rather than to change the main estimate of the number of homes to required.

e. **Household formation rates:** It is hardly surprising that there have been quite large variations in household formation patterns over the last 10 years as compared to earlier projections given the extent of economic and housing market volatility. It therefore seems likely that the changes seen in recent years are a departure from the longer term trends on which government projections are based and that a return to something closer to previous trends can be expected if and when economic conditions improve. We therefore suggest that it would be appropriate for local authorities to plan on the basis of household formation patterns assumed in the official projections unless there is strong local evidence to the contrary.

6. Our overall conclusion is that modifications to the official assumptions should be used simply as sensitivity tests to determine how much flexibility an authority should seek to incorporate in its plans and authorities should normally plan on the basis of the official projections.

Note 1: Birth rate assumptions

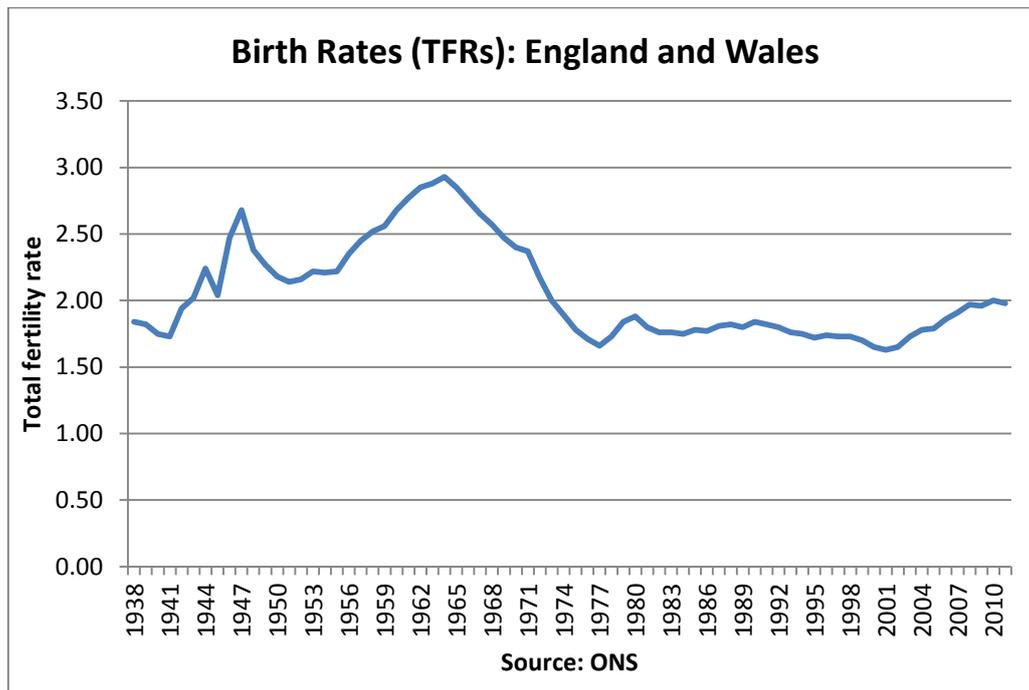
Summary

The possibility that actual birth rates will be different from the assumptions made in the official projections can be ignored in assessing how many households there are likely to be in a local authority area over the next 20 years.

The youngest category of households is those headed by someone aged 16-24. This means that future births can have no effect at all in the next 15 years. Even over the next 20 years, a variation from the assumptions in the official projections can only result from births in the first few years and the plausible impact on the number of homes required is negligible.

Introduction

1. Birth rates have varied quite significantly since the war, as shown in the following chart² which plots birth rates (expressed as total fertility rates³) for England and Wales. Note the peaks in birth rates immediately following the war and in the 1960s – the 'baby boom'.

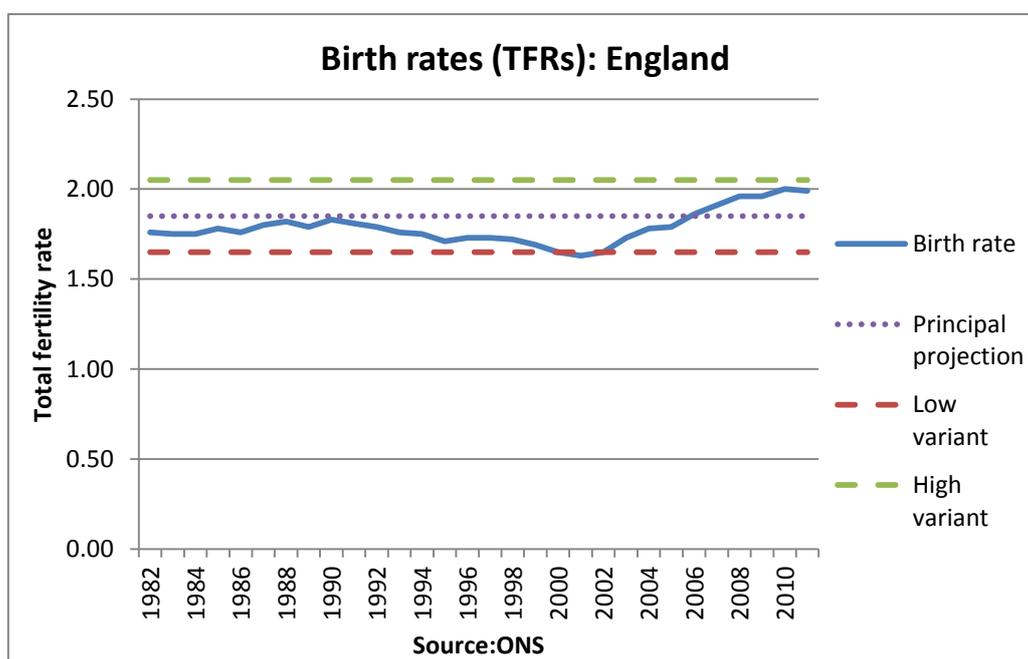


² Data from <http://www.ons.gov.uk/ons/rel/vsob1/vital-statistics--population-and-health-reference-tables/autumn-2012-update/rtd-annual-table.xls>

³ The Total Fertility Rate (TFR) is the number of live children that a woman would bear if she experienced the age-specific fertility rates of the calendar year in question throughout her childbearing lifespan.

The assumptions behind the DCLG projections

2. The 2008-based DCLG household projections⁴ have been based on an assumption of 1.85 children per woman. To illustrate the effect of actual birth rates proving to be higher or lower, DCLG have produced⁵ a 'high' fertility rate projection which assumed 2.05 children per woman and a 'low' projection assuming 1.65 children per woman. The chart below shows how those assumptions compare with actual birth rates over the last 30 years. As can be seen, for the actual birth rate to be significantly above or below the high and low variants selected by DCLG, future birth rates would need to move into territory not seen since for over 30 years.



3. DCLG's results for England as a whole suggested that over the projection period (2008 to 2033) the central projection of 232,000 additional households a year would increase to 235,000 in the 'high' scenario and fall to 230,000 in the 'low' scenario. This is a variation of only plus or minus one percent – well within the error margins of any 20 year projection.

4. It is not surprising that the effect on numbers of households is so small as babies and children do not form households. The youngest category of households is those headed by people aged 16-24. This means that, by definition, births in the immediate future can have no effect at all on the number of households in the next 15 years. Even over 20 years, any impact will be small because it can only result from births in the first five years – the relatively near future – and these will only take effect at the end of the projection period.

⁴DCLG (2010) Household Projections 2008 to 2033
<http://www.communities.gov.uk/publications/corporate/statistics/2033household1110>

⁵<http://www.communities.gov.uk/documents/housing/pdf/1797497.pdf> - paragraphs 53-58.

5. Even in areas of high inward international migration, where on average foreign-born mothers have higher fertility rates (2.45 children per woman), the difference is likely to be negligible.

6. This analysis strongly suggests that the uncertainty in the number of households arising from possible variations in birth rates is so small as to be negligible.

Note 2: Life expectancy assumptions

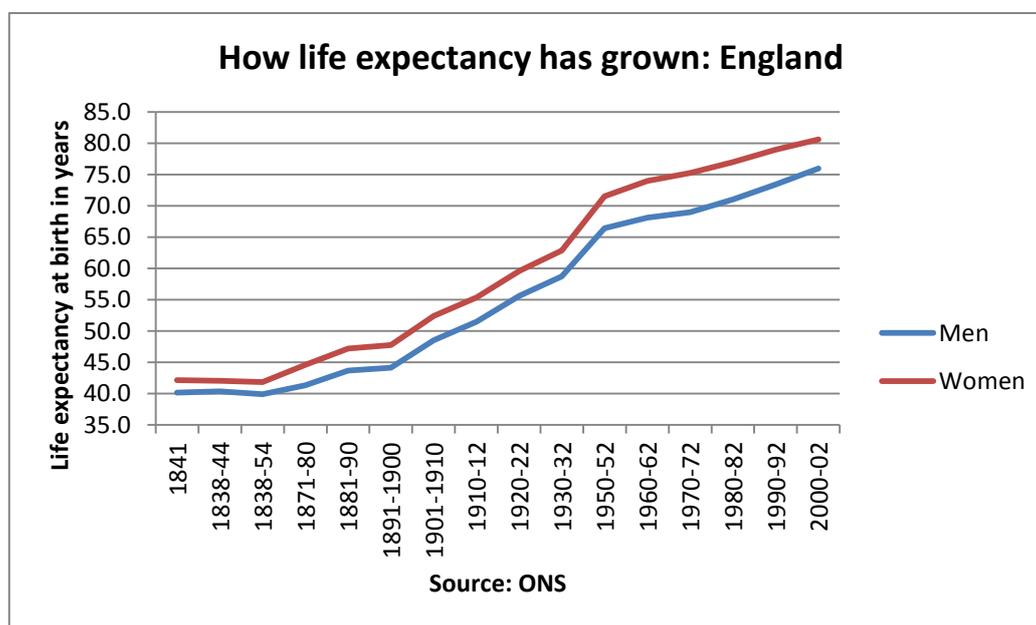
Summary

The DCLG household projections assume that life expectancy will continue to rise. If it rises more slowly than assumed there will be fewer households than the projections suggest. Similarly, if it rises more quickly than assumed there will be more households. DCLG analysis suggests that at a national level the uncertainty in the number of households after 25 years is unlikely to be more than +/-6% and even that would require fairly extreme assumptions.

Given the relatively small degree of uncertainty, strong local evidence would be needed to justify a significant departure from the official assumptions. This is likely only to exist in areas in which there has been or is likely to be a significant change in the socio-economic mix or other very exceptional circumstances.

Introduction

1. As the chart⁶ below illustrates, life expectancy⁷ has been growing since the 1870s. While this cannot continue indefinitely, over the past decade the death rate assumptions have successively been revised downwards because longevity has increased faster than expected.



⁶ Data from <http://www.ons.gov.uk/ons/rel/lifetables/decennial-life-tables/no-16--2000-2002-/period-expectations-of-life-from-english-life-tables--nos--1-to-15.xls>

⁷ The measure of life expectancy used in this section is 'life expectancy at birth', which is the average number of years a new-born baby would live for, based on the mortality rates of people of different ages for the given year. (The mortality rate for a given age and sex for a given year is the proportion of women/men of that age who die in that year. If you assume that a baby born in a given year has the same chance of living through each year of its life as the mortality rate for people of that age in the year in question a calculation can be made of the average length of life of such a baby.)

The assumptions behind the DCLG projections

2. The DCLG projections assume that life expectancy at birth continues to grow – from 78.1 years for men in 2008 to 83.4 years in 2031, and from 82.2 to 87.1 years for women over the same period. The impact of this on the number of households is shown in Table 1 below:

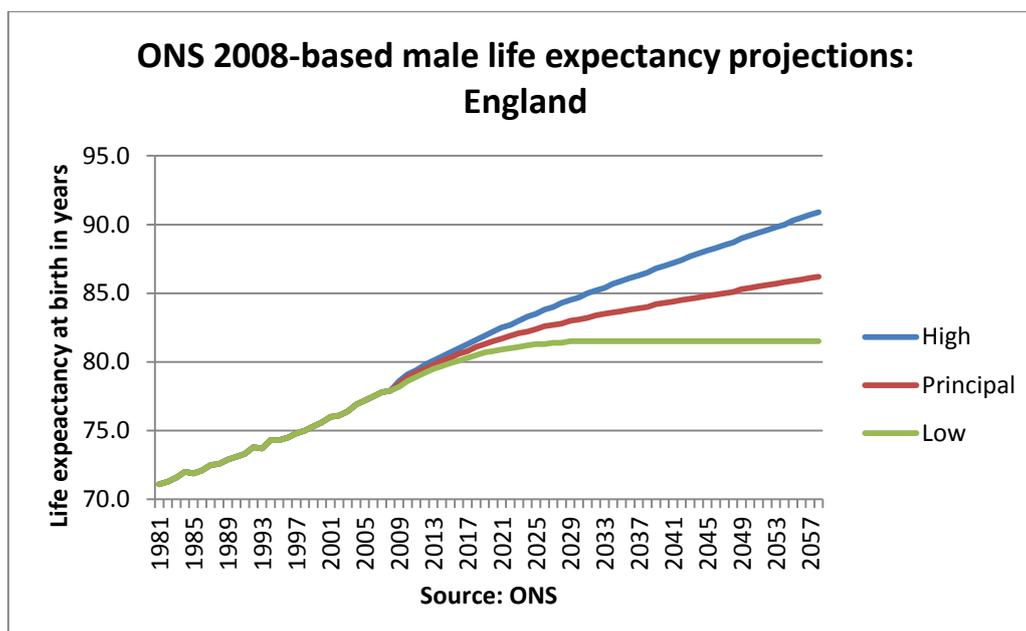
Table 1: Life expectancy projections

	Baseline age	Principal projection	High variant projection	Low variant projection
Year	2008	2031	2031	2031
Males	78.1	83.4	85.3	81.5
Females	82.2	87.1	88.3	85.9
Increase in households		232,000	246,000	218,000

DCLG’s high and low variant assumptions

3. As shown in the table above, high and low life expectancy variants have been produced. In the high option, life expectancy for men grows to 85.3 in 2031 and for women to 88.3 years. This increases the average annual rate of household growth nationally from 232,000 to 246,000 – an extra six percent.

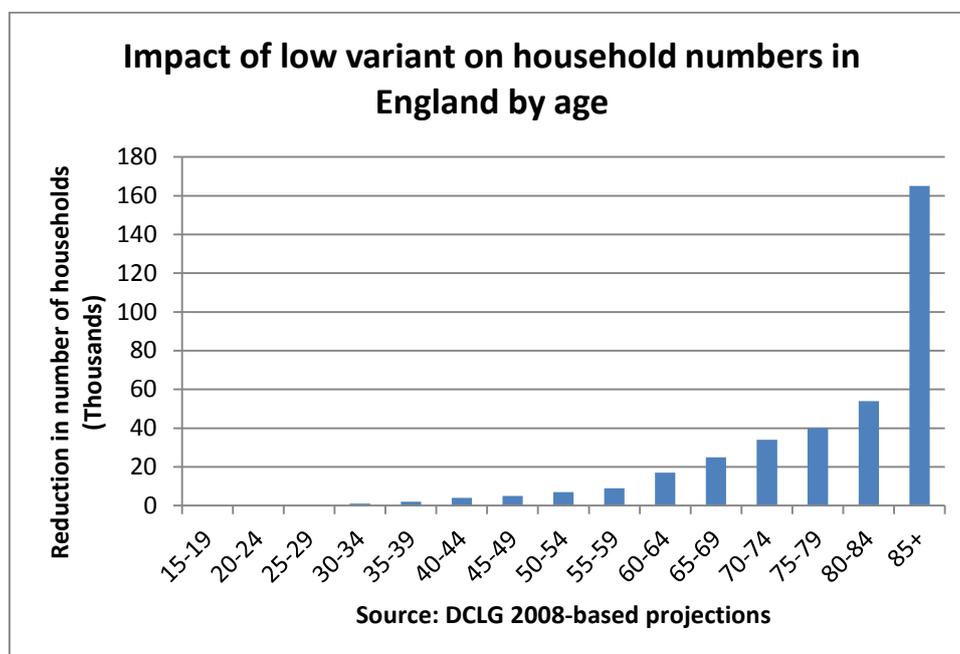
4. The low expectancy variant similarly assumes a lower life expectancy for men of 81.5 and for women of 85.9. This reduces the rate of household growth to 218,000 a year, a fall of six percent.



5. The above graph shows the principal, high and low variants. As can be seen, the range is relatively wide when compared with the steady trend to date. There is therefore little case for considering scenarios outside this range.

6. The DCLG analysis of variants to the core assumptions also includes a 'no improvement in life expectancy variant'. The purpose of this is to make clear how much of the increase in the number of households is due to the assumption that people live longer. It is not regarded as a realistic alternative scenario.

7. DCLG's variant analysis also shows the impact that their low and high variants would have on the national age profile. By way of example, the results for the low variant are shown in the chart below. As might be expected, the impact is largest on the older age groups and becomes larger the older the age of the group. Thus the 85+ age group is reduced by 8.6%. The impact on younger age groups rapidly reduces, so that the 50-54 age group is reduced by only 0.33%.



Using the DCLG variant analysis to estimate the degree of uncertainty at local authority level

8. The fact that a change in life expectancy would have different impacts on different age groups nationally suggests that the impact of a given change in mortality rates on individual local authorities would vary according to the age profile of the authority. Those authorities with bigger older populations would be more affected than those with younger profiles. It is possible to make an estimate of the impact a given change in life expectancy would have on an individual authority by assuming that the impact on a given age group would be the same all over the country. For example, it is assumed that if life expectancy falls to the low variant scenario the number of households in, say, the 75 to 79 age group would fall in all authorities by the same percentage as estimated by DCLG for the country as a whole. This is only an approximation, but good enough to give a broad indication of how

sensitive the change in household numbers in an individual authority might be to a change in life expectancy.

9. Leaving aside what may happen to national life expectancy figures, there are longstanding and significant variations in mortality rates between areas. The difference between the longest living in England (Kensington and Chelsea) and the shortest (Liverpool) is large, at about ten years. This is related to age, gender and the socio-economic structure of the area – social mix and social class and status. However, neither population structure nor socio-economic structure change rapidly, so apart from special cases where recent regeneration projects have brought new socio-economic groups with higher incomes and longer life expectancy into the borough) there is no reason to alter the death rates from those used in the official projections as these take account of the demographic and socio-economic structure of each area.

Evidence to support changed assumptions

10. If the view is taken that the life expectancy assumption should be changed from that in the official projections, those testing, examining or challenging a local authority's housing figures could reasonably expect good reasons to be given, backed by appropriate evidence. In the case of exceptional local authorities this might include evidence to show that the socio-economic mix was changing and was likely to change further. Very compelling evidence would be needed to justify changing assumption by more than the local equivalent of the DCLG low and high variant scenarios.

Note 3: Flows to and from the rest of the UK (Internal migration)

Summary

For many local authorities this will be the largest area of uncertainty. Whilst it is possible for an authority to suggest almost any addition to or reduction from its housing requirement simply by making a different assumption about net flows from the rest of the UK, there are very real policy and practical constraints that limit the extent to which it is reasonable to depart from the assumptions in the official projections.

The National Planning Policy Framework (NPPF) expects local authorities to take account of migration. It follows that an authority would need good reasons to depart from the projected migration flows. These ought to include an explanation of where the households affected are going to live and the results of consultations with the other authorities concerned under the “Duty to Co-operate”⁸.

The NPPF requires that local plans provide for objectively assessed demand unless the adverse impacts of doing so would significantly and demonstrably outweigh the benefits. If a local authority cannot show where those internal migrants it does not plan to provide homes for will live, the likelihood is that at the end of the housing ‘chain’ there will be those who would be forced to share, live as concealed households or be prevented from forming a household. The benefits of providing housing for such people ought to be taken into account when weighing the adverse impacts of providing the amount of housing the objective assessment has indicated.

Not providing for projected internal migration flows may also give rise to broader impacts on other authorities, increasing the housing pressure they face.

There are a few authorities for which it is a physical impossibility to accommodate the projected increase in household in their area because sufficient land suitable for house building cannot be made available. They have little option but to plan for the maximum realistically deliverable housing supply and to work with authorities to and from which people from their area move. However, given that any authority which argues that it cannot accommodate its projected increase in households will increase pressure on other authorities, planning inspectors can be expected to probe closely any arguments that an authority is ‘capacity constrained’.

⁸Section 110 of the Localism Act 2011. <http://www.legislation.gov.uk/ukpga/2011/20/section/110/enacted>
See also paragraphs 187-181 of the National Planning Policy Framework
<https://www.gov.uk/government/publications/national-planning-policy-framework--2>

Introduction

1. There is a substantial amount of movement across local authority boundaries each year. In many cases the change of in population from such moves can substantially exceed births and deaths or international flows. In some sub-regions there are long established flow patterns.

2. The internal migration assumptions behind the population and household projections are derived from estimated actual migration figures for a recent five year period. Flows in those years could have been distorted by a number of factors such as the construction of one or more large housing estates and the arrival or departure of a major employer – and as a result might not be a reliable guide to what is likely to happen in the future. Similarly, the projections do not take account of possible constraints which could prevent an increase in the housing stock sufficient to accommodate the projected increase in the population. Such constraints could include the limited availability of land to build on because the authority is already heavily built-up or because what land there is may have a national designation such as Green Belt or Area of Outstanding Natural Beauty.

3. There can also be cases in which a local authority might choose to plan on the basis of a different net migration assumption without there being any event or constraint which suggests that past trends will not be a good guide to the future. It is possible for a local authority to suggest almost any addition or reduction in its housing requirement simply by assuming an addition or reduction in net migration into its area or a switch from net inward migration to net outward migration and vice versa. However, those examining or challenging a local authority's housing figures are likely to be very conscious of the risk that all the local authorities in a sub-region assume that there will a reduction in their net inflow – with those they are not planning to accommodate going to an unspecified “somewhere else”. The net result would be a significant under provision of housing.

4. This section deals first with cases in which an authority might simply choose to plan on a different assumption and then with cases in which there is a clear reason to believe that the recent past may not be a good guide to the future

Cases in which an authority might choose a different net internal migration assumption

5. There are a number of reasons which might lead an authority to consider choosing a net migration assumption different from that in the official projections including concerns about increased pressure on public services, infrastructure or a desire to minimise the extent to which it is necessary to build on green field sites. However, as already noted, any such departure from the projected flows would need to be fully justified. The following are five areas that ought to be covered in any such justification.

(a) The National Planning Policy Framework states that migration should be taken into account.

Paragraph 159 of the NPPF states that local planning authorities should prepare Strategic Housing Market Assessments and that these should “identify the scale and

mix of housing.....which meets household and population projections, taking account of migration and demographic change.” This presumably reflects a recognition that if migration projections were ignored the net result is likely to be significant under provision of housing, which is contrary to the Government’s stated intention.

(b) Net internal migration flows must add up to zero

Net internal migration flows across the whole of England must sum to zero. This means that if, for example, an authority assumes a lower net migration rate than the official projections, it is arguing that either fewer households will arrive from other areas or more will leave to go to other areas or both. That in turn means that those other authorities will need to accommodate more households – unless they also assume that population moves to other authorities.

It is likely that those examining and challenging at local plan inquiries will ask authorities which assume lower net migration rates to explain the basis for those assumptions, including what discussions have been held under the ‘Duty to Co-operate’ to ensure that the other authorities affected are planning to accommodate the additional households.

ONS have produced a visualisation tool that enables the main origins and destinations of households arriving in and leaving from any given local authority– <http://www.neighbourhood.statistics.gov.uk/HTMLDocs/dvc25/Index.html>. This can be used as a basis for identifying the local authorities who ought to be engaged under the duty to co-operate.

(c) The implications of not providing for projected internal migration flows.

The authorities affected by one authority’s decision not to plan for the projected level of net migration may not be willing or able to accommodate additional households that authority is in effect sending to them:

i. Some of the ‘other authorities’ may themselves be facing considerable housing pressures. The DCLG household projections project forward recent trends without taking into account the ability of an area to accommodate growth. An example of this is that there are 4 London boroughs which the DCLG projections suggest will face more than a 40% increase in households over the period 2008-33. For such authorities it may be a physical impossibility to accommodate adequately the projected increase in the number of homes. To prepare a plan that implies that any of them should accommodate additional households would be highly questionable.

ii If one of the ‘other authorities’ cannot or will not accommodate additional households it may be possible for some of the extra demand to be passed on to other authorities, in whole or in part. In some cases this will not be possible – and in all cases where there is a ‘chain reaction’ there will be an authority at the end of the chain. Then, if the necessary extra homes are not provided, either there must be more sharing of homes and concealed

households, or some of the households which the official projections assume will form will not be able to do so. In short, the net result will be an increase in unmet housing need in other areas.

(d) Balancing benefits and dis-benefits of providing for internal migration

Planning for internal migration is a classic case of the ‘insider/outsider’ problem: many of those who are adversely affected by a decision not to provide this housing will be outside the local authority in question and therefore are not engaged in the debate. Local authorities in planning for housing will often be more focussed on the effects on their existing population, environment and service delivery.

It remains to be seen to what extent the inspectors at a core strategy inquiries will consider they have a role here. One of the requirements at the heart of the NPPF (in paragraph 14) is that, “Local Plans should meet objectively assessed needs.....unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits...” The adverse impacts of providing additional housing for net migration in a particular authority may include extra pressure on services; traffic congestion; and the need to build on green field land or even in the Green Belt. The logic of the NPPF suggests that such dis-benefits should be balanced against enabling those who share homes, are concealed households or simply have not been able to form a household to have a home of their own.

(e) Impact on the local community

Those who move between local authorities tend to be in their 20s, 30 and early 40s: older people are much less likely to move. A consequence of this is that if a local authority does not provide for net inward migration there are likely to be fewer young people in the area than the projections suggest i.e. the age profile will become more skewed towards older age groups. Over a 20 year period the impact on the balance of a community could be significant.

Cases in which there are good reasons to believe that the recent past may not be a good guide to the future.

6. There can be good reasons for believing that past trends may not be the best basis on which to plan.

(a) Atypical past events

As already noted factors such as the construction of one or more large housing estates and the arrival or departure of a major employer may not be repeated and could therefore have distorted the trend used for the projection of future internal migration flows. It would be possible to estimate what the past migration trend would have looked like had the exceptional events not happened and to adjust the projected future flow to reflect this. “What Homes Where?” provides a simple tool to

estimate the effect that this would have. However, it should be borne in mind that the factors listed in the previous section (paragraph 5) still apply.

It could be argued that the requirement to take account of migration is still being respected if the estimated effect of the 'distortion' is corrected for, although it is questionable whether a simple subtraction would be appropriate. The "zero sum" principle would still apply: any households not assumed to move to or stay in one authority must be accommodated elsewhere. If provision is not made somewhere to accommodate those people the result will be increased sharing and concealed households or households simply not being able to form. It may be that the construction of a large housing estate in one local authority area will have resulted in a higher proportion of those wishing to move to the sub-region moving to that authority rather than to neighbouring authorities, but there is likely to be similar pressure for moves to the sub-region in future. There might be a case for re-distributing the provision in a sub-region but that would need to be agreed between those authorities under the "Duty to Co-operate". Those neighbouring authorities may not agree owing to their own constraints. It would then be for an inspector at a core strategy inquiry to determine whether the proposed reduction in net migration from the projected trajectory was reasonable in the absence of a good answer to the question, "Where will the people not accommodated in your area live?"

In summary, even where there are good reasons to believe that past events have distorted the projected net migration figures, it would not be reasonable simply to subtract any "extra" flow from the projection without understanding where those that an authority is not proposing to accommodate will live.

(b) Cases in which future plans might suggest a different internal migration flow

There are a number of cases in which a local authority's plans or external events might result in different flows from those assumed in the projections. For example, if a major employer was planning to relocate to the area or the authority's economic growth strategy was likely to create additional jobs and require a labour force bigger than the projections suggest will exist in the area in the future. Whilst building homes and attracting employment might be regarded as "good" there is still a need to consider the implications for other areas. The questions become, "Where will those extra households we are expecting to live in our area come from?" and "What will the implications be in those areas of reduced demand for housing?" Whilst the national shortage of housing might mean that in most areas neither question is likely to be problematic, in some sub-regions it could be, particularly if the areas affected are already suffering from low housing demand.

Again it would be reasonable for a planning inspector to expect clear answers to have been arrived at following consultations under the "Duty to Co-operate".

(c) Cases in which there are overriding physical constraints

Perhaps the most obvious example of this are those London boroughs for which the official projections suggest that the number of households will grow by more than 40%. (This is a consequence of the projections being ‘unconstrained’ i.e. they project forward household numbers without taking into account whether the homes required are likely to be built.) For a heavily built-up London borough a 40% increase in households could only be accommodated without a massive increase in overcrowding, sharing and concealed households if substantial areas were knocked down and re-built to much higher densities. In such cases the authority has no option but to plan within what is physically possible – and to warn those local authorities to which migrating households have moved in the past that there are likely to be significantly increased pressures in the future.

Many local authorities may feel that they are subject to physical constraints. There will doubtless be cases in which one authority says it cannot accommodate the projected growth because it is already heavily built-up and simply has not got the land and another says it cannot take it either because the land it has is subject to flooding or is designated as green belt or areas of outstanding natural beauty. In such cases it may be possible for other authorities to be found which are both willing and able to accommodate additional growth and are in areas in which people would be willing to live. That would imply a fairly wide ranging consultation under the “Duty to Co-operate”. However, if that does not happen and none of the authorities concerned can be persuaded to take action to relax their physical constraints, the result will be increased sharing, concealed households and households not being able to form.

It remains to be seen what role planning inspectors at core strategy inquiries will take in such cases. They can be expected to probe carefully cases in which authorities argue that they are ‘capacity constrained’ if they are faced with representations that suggest that the consequence of accepting those constraints will be growing unmet housing need elsewhere.

Note 4: International Migration

Summary

International migration flows have changed significantly over the last 20 years and could change again in either direction in the future as a result of world events or UK Government policy changes.

The impact on household numbers of changes in the net inflow of international migrants is much smaller than the change in number of people arriving in the country: DCLG modelling suggests that a change of +/-38% in the number of people coming to the UK would only change the number of households formed by +14/-13%. There is therefore no case for local authorities with relatively small international migration flows to seek to change the assumptions in the official projections.

Even for authorities with relatively large international flows it would be very difficult to produce robust evidence that a different assumption should be used given the inherent uncertainties. Estimates of the scale of the uncertainty – potentially informed by DCLG's analysis of high and low international migration scenarios – should be used to determine how much flexibility an authority should build into its planning for housing rather than to change the main estimate of the number of homes required.

Introduction

1. International migration is a significant area of uncertainty. The ONS 2010 population projections suggest that 68% of the projected population growth over the period 2010 to 2035 is directly or indirectly attributable to international migration.

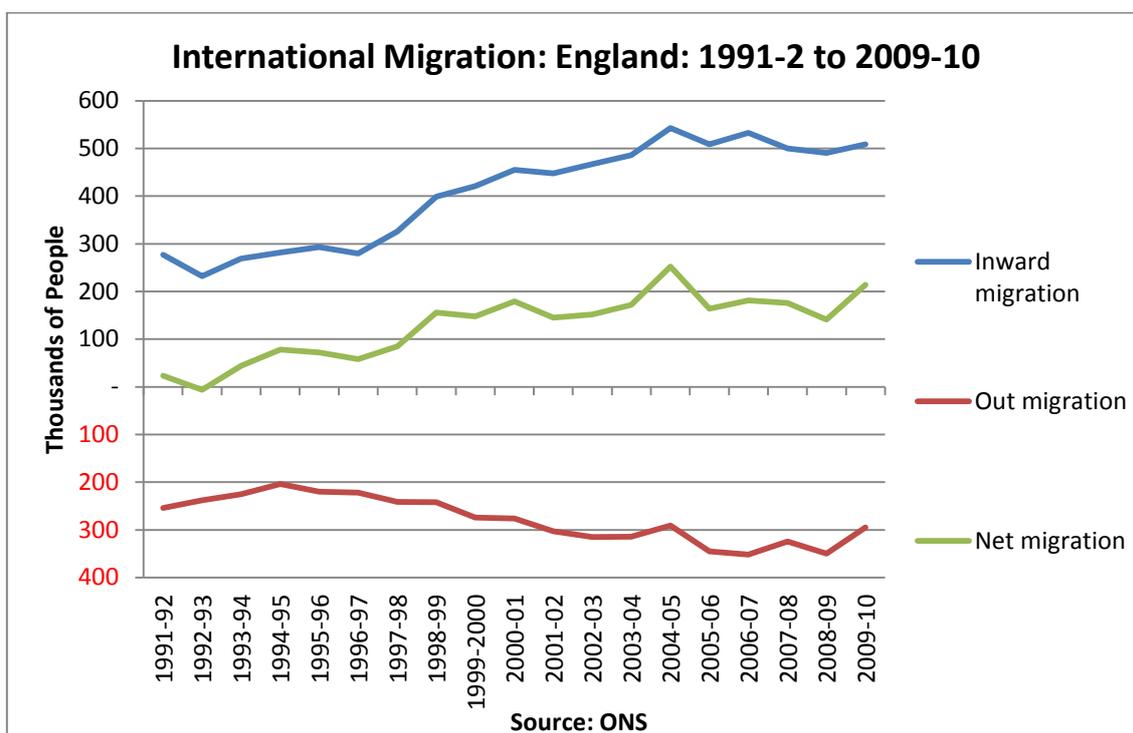
2. As the chart⁹ below shows, net migration to England over the last 20 years has varied between a small net out flow in 1992-3 of 6,000 to a net inflow of over 250,000 in 2004-05. Since 1998-9 the net inflow has consistently been well over 100,000. There could well be a similar degree of variation over the next 20 years.

International migration assumptions

3. Assumptions on future international migration underlying the official population and household projections are derived from analyses of recent trends in civilian migration. Migrants are defined as individuals who change their country of usual residence for a period

⁹Data in this and other charts is from: <http://www.ons.gov.uk/ons/rel/migration1/long-term-international-migration/november-2010/long-term-international-migration-2-series.zip>

of at least one year, so that the country of destination becomes the country of usual residence.



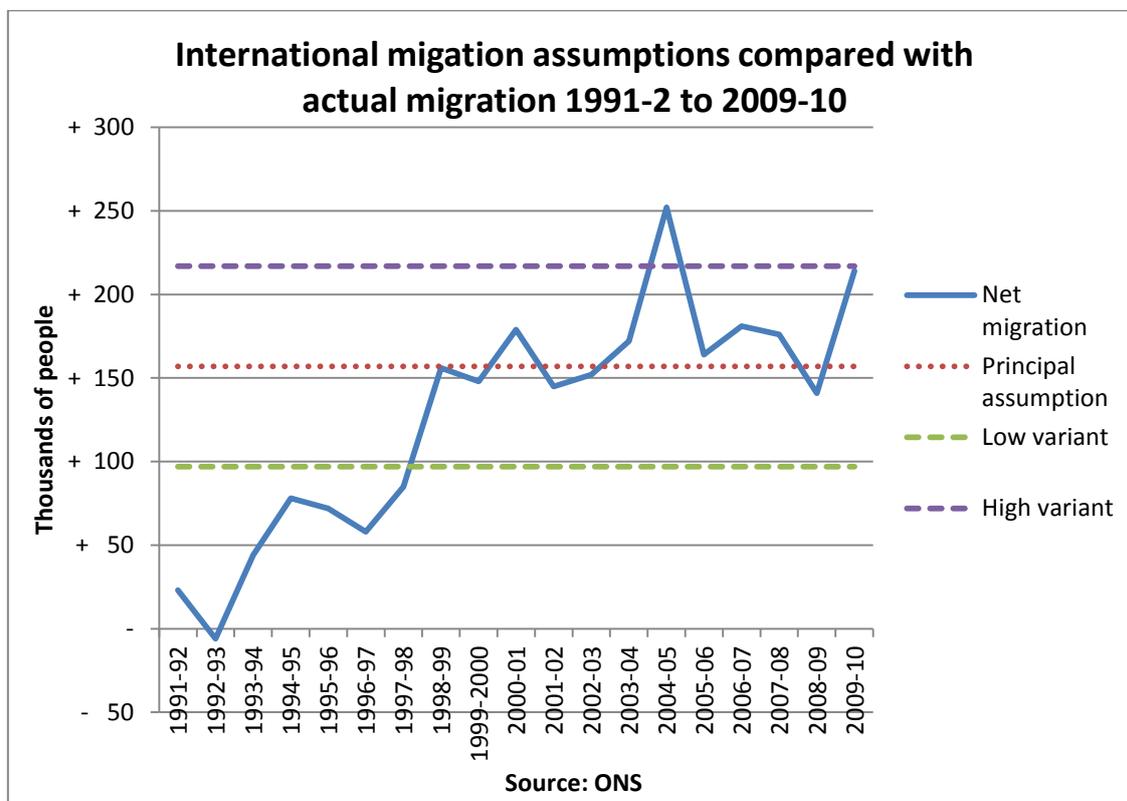
4. International migration figures are derived from a number of sources. The principal source is the International Passenger Survey (IPS). Adjustments are made to account for people who enter or leave the country initially for a short stay but subsequently decide to remain for one year or more ('visitor switchers'), and people who originally intend to be migrants but in reality stay in the UK or abroad for less than one year ('migrant switchers'). Estimates of the net flows of asylum seekers (and their dependants) who are not captured by the IPS are obtained from Home Office data and so are included in the overall assumption for net international migration.

The household projections

5. The household projections are estimated from the population projections by applying household formation rates (the probability that an individual in a particular age group will form a separate household) to the population numbers. They therefore incorporate the assumptions about future net international migration that underpin the population projections.

6. The 2008-based DCLG household principal projection is based on an assumption that a net 157,000 people a year come to England. Low and high variant international migration scenarios were also prepared. The low variant was 97,000 people a year and the high variant 217,000. The chart below shows how the principal and variant assumptions compare with actual levels of international migration over the last 20 years. As the figures show the range is wide: +/-60,000 net migrants (or +/-38%), reflecting the considerable uncertainty that exists. Compared with what has happened over the last 15 years, the low variant would appear to allow a fairly wide margin. The high variant is less obviously at the

top end of what might happen – and, indeed, in their 2010-based population projections, ONS increased their central assumption for international migration. DCLG are likely to follow this when they produce their 2010-based household projections.

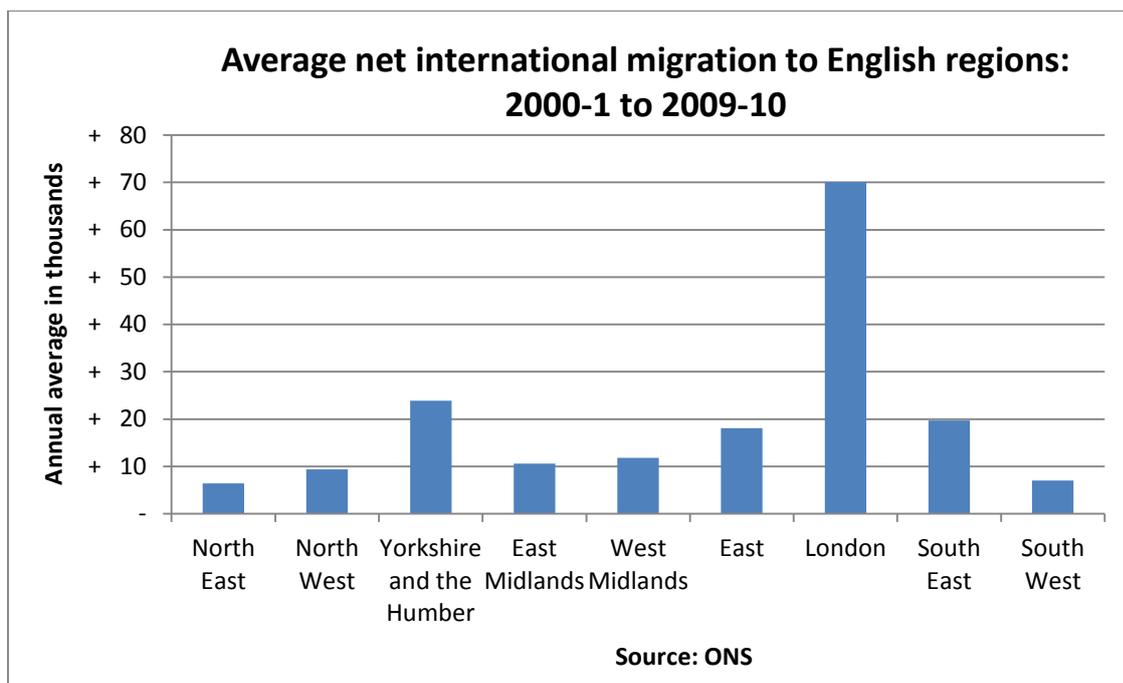


7. It is important to note that a variation in the numbers of people assumed to come to this country of +/-60,000 would not translate into anything like that large a variation in the number of households. The DCLG principal projection (based on net international migration of 157,000 a year) is for 232,000 extra households a year to be formed. Reducing net migration by 60,000 (38%) a year to 97,000 only reduces the number of extra households a year to 201,000, a fall of 31,000 (13%). Similarly, increasing the number of net migrants by 60,000 (38%) to 217,000 only increases the number of extra households a year to 264,000, an increase of 32,000 a year (+14%). Thus in household terms the range of +/-60,000 for international migrants translates into a household range of -31,000 to plus 32,000, a relatively narrow range given overall household numbers

8. A zero net international migration variant was also produced by DCLG. This reduces the average number of extra households to 149,000 a year (-36%). That is provided only as a baseline: it is not regarded as a realistic scenario.

Implications at the local authority level

9. However, the national figures for international migration mask a considerable variation in the volume of migration to different parts of the country. As the following chart shows, net migration to London has typically been far larger than to any other region.



10. The variation in levels of net international migration at the local authority level is even wider: for many authorities international migration will be a relatively small factor in both population and household change. For some it is a major consideration.

11. Data is available from the ONS on past and projected international flows at the local authority level. By comparing this with data for the other drivers of population change and the total population figures it is possible to get a sense of how significant an uncertainty international migration is for an authority.

12. Where the international flows are relatively small, given that the DCLG variant analysis suggests that a 38% variation in the number of people coming to or leaving this country - a very substantial change - would only produce a 13-14% variation in the number of extra households, there is no case for seeking to modify the assumptions in the official projections

13. Analysis of this kind can indicate how significant the impact on a local authority would be of a fairly extreme variation in the ONS/DCLG assumptions on international migration: it cannot say anything about how likely such a variation might be. The range of factors which could influence what happens is extremely wide, ranging from changes to UK Government immigration policy, to events in other countries, including wars, famines, the persecution of particular groups and natural disasters. Some events might have little impact on total UK migration but could have a large impact on an authority or small group of authorities. For example, unrest or persecution of a minority in a particular country could result in new flow that tended to be concentrated in the authorities to which previous migrants from the country in question had gone.

Conclusion

14. International migration is rather different from other areas of uncertainty that could potentially affect planning for housing as world events could impact on recent patterns of migration substantially: the numbers in ten years' time could be very different from those over the last ten years. However, no one can reliably forecast any such change.

15. On the other hand, unless there was very strong evidence that some exceptional and clearly unrepeatabe event was responsible for a major distortion in the migration trends on which the projections have been based, it is difficult to see how it could be plausibly argued that it would be prudent for an authority to discount that element of the projected household growth in their area that is driven by international migration.

16. The prudent conclusion is that this is an area in which, rather than changing assumptions in the official projections, authorities should draw up plans that enable them to respond quickly if the unforeseen happens. This might include identifying reserve sites which could be released if the need arose but not otherwise. This would be in line with the NPPF which states that "Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change..."¹⁰ Estimates drawn from considering what DCLG's high and low variant options might imply for an individual authority could be used to inform decisions about how large a contingency should be planned for.

¹⁰ DCLG 2012, NPPF page 4, paragraph 14.

Note 5: Changing Household Formation Patterns

Summary

There have been big changes in household formation patterns over the last ten years and that in part explains why the household numbers in the early 2011 census results are rather different from what the previous projections had suggested. There will be a temptation to modify the household numbers suggested by the projections to reflect the 2011 census but this should only be done where there is clear evidence that the changes are not the result of short-term fluctuations which are likely to come back to trend in the medium term. Given that the 2011 census results are a snapshot taken after a period of severe economic and housing market volatility, it would be reasonable to expect that the numbers of households that formed in the years running up to the census were significantly below the long term trend.

The general advice is to plan on the basis of household formation patterns assumed in the official projections unless there is strong local evidence to the contrary as to the likely long term trend.

Introduction

1. Changes in the rate at which households form and dissolve can have a big influence on both the number and type of households in a local authority area. Examples of possible changes include young adults living with parents for longer; young people living in shared houses for longer before finding a home of their own, either alone or with a partner; couples starting families later; and changing divorce rates.
2. There are three aspects that those planning for housing might want to consider:
 - a. Whether the DCLG projections adequately reflect long term changes in household formation patterns in their area.
 - b. The household formation patterns of those arriving from abroad.
 - c. Policy based changes.

Do the DCLG projections adequately reflect changing household formation patterns?

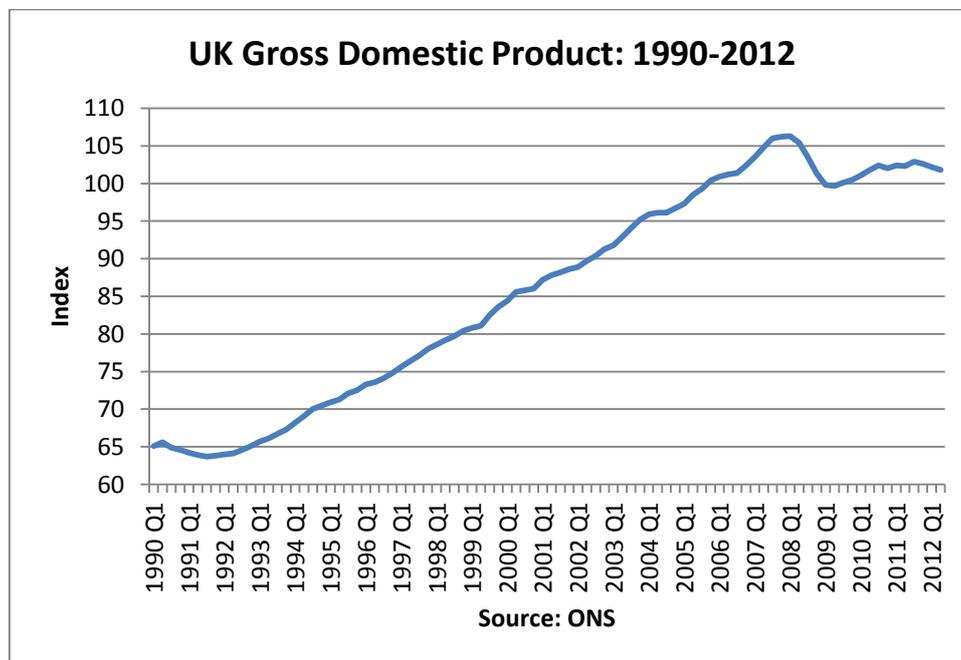
3. There is evidence that there have been significant changes in household formation patterns over the last 10 years, including some changes that go beyond what has been assumed in DCLG's household projections. Some of these are clearly short term. Indeed, in many cases the changes would appear to be consequences of the undersupply of housing. For example, the recent increase in the number of young adults living with parents

is likely to be the result of the lack of affordable alternatives rather than a desire to see more of Mum and Dad! In planning for housing the focus should be on the likely long term requirement, not on what are likely to be short term dips in demand.

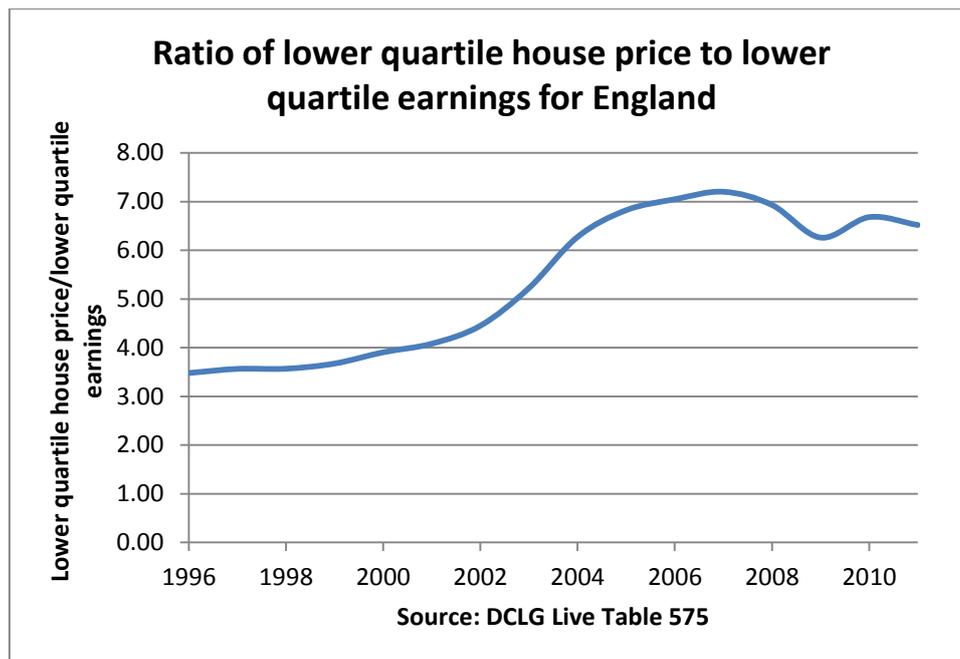
4. The key issue is, therefore, whether any changes not reflected in the DCLG projections are indications of longer term trends rather than short term variations.

5. The assumptions made about household formation patterns in the 2008-based DCLG projections are based on evidence of headship rates partly derived from census data and the Registrar General's mid-year estimates. Account is taken of other more recent data, including the continuous Labour Force Survey which collects a substantial amount of data about household composition. Weight is therefore already given to trends that have become apparent more recently than the 2001 census.

6. Given that the 2011 census was carried out at a time when the country had been in an economic downturn¹¹ for three years following a period of sharply deteriorating house price affordability (see graphs below), it is to be expected that the rate of household formation was depressed and hence the number of households was below the long term trend. It follows that to make a case for lower household numbers than suggested by the 2008-based household projections local authorities would need to not only to show that the actual household numbers in their area in 2011 were lower than projected but also to argue convincingly that the shortfall was not due to short term factors that would re-balance during the plan period.



¹¹<http://www.ons.gov.uk/ons/rel/naa2/second-estimate-of-gdp/q2-2012/tsd-second-estimate-of-gdp-2012-q2.html>



Household formation patterns of those arriving from abroad

7. At the national level there is evidence that those who have recently arrived from abroad are less likely to form households than people with equivalent characteristics who were either born in this country or have been here for some time¹². ONS/DCLG projections assume that recent migrants have the same tendency to form households as the existing population. Those local authorities with large numbers of international migrants who have been in the country for less than 5 years might like to consider whether there is any evidence of lower household formation rates. However migrant household formation rates will generally move towards the general pattern over time – so there would only be a case for adjusting the household formation assumptions if significant net inflows are expected on a continuing basis. This would need robust local evidence.

Policy changes

8. As the official projections are based on long term trends continuing they do not take significant account of recent or future policy changes. These could have implications for both the number and type of households in some local authority areas.

9. The most obvious example is housing benefit change. In particular, the extension of the single room rent restriction to people aged 25-34 in January 2012 will probably reduce the number of people in that age group who live in bedsits or one-bedroom flats as single person households rather than in a room in a shared house. It may also lead to some in this age group moving to areas in which there is more shared accommodation available. However, only a fraction of single person households aged 25-34 will be affected, so by finding out how many such households there are it would be possible to put an upper limit on the potential scale of the issue.

¹² <http://www.cchpr.landecon.cam.ac.uk/outputs/detail.asp?OutputID=283> The

10. Whilst it may be possible to make some allowance for announced and recently implemented policy changes that have not have been reflected in the data used to establish the trends on which the official projections are based, there is no way in which future policy changes can be taken into account. The only option is to plan on the basis that current policies continue.