

## Proposed changes to household projections for England

GLA response to consultation

March 2017

### Introduction

This document sets out the Greater London Authority's response to the consultation<sup>1</sup>, launched by ONS on 31 January 2017, regarding proposed changes to household projections for England.

Household projections for England were previously produced by the Department for Communities and Local Government. The transfer of responsibility for these outputs was moved to ONS this year. ONS has produced a technical paper outlining proposed methodological changes to the projections.

ONS will issue a response to the consultation in summer 2017. The next set of household projections (the 2016-based) is due for publication in summer 2018.

This consultation has two stated aims:

1. To get the views of users on proposed changes to the methodology;
2. To improve ONS's understanding of user needs for household projections and related outputs.

ONS has stated that not all changes identified through this consultation process will necessarily be adopted ahead of the release of the 2016-based projections.

In this document the GLA sets out:

1. How the GLA uses household projections;
2. A brief summary of the proposed changes in methodology and model outputs;
3. The GLA's view of these changes.

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<sup>1</sup> <https://consultations.ons.gov.uk/communication-division/changes-to-household-projections-for-england/>

## Use of household projections by the GLA

In line with the National Policy Planning Framework<sup>2</sup>, the GLA makes use of household projections to help determine Objectively Assessed Need (OAN) for housing in London. The assessment of OAN for London is carried out by the GLA and published as the London Strategic Housing Market Assessment (SHMA)<sup>3</sup>. In creating the London SHMA, the GLA considers the available evidence to determine the most appropriate household projections to use and then factors in additional need not captured by the projections. The London Plan sets out how this need will be addressed, defining housing targets for authorities within London based on their capacity to deliver as determined through the Strategic Housing Land Availability Assessment (SHLAA)<sup>4</sup>.

Current planning guidance states that projections published by DCLG should provide the starting point estimate of overall housing need. However, the GLA has chosen to use its own household projections as the basis for its SHMA and for London's spatial development strategy, The London Plan<sup>5</sup>. The GLA's rationale for this decision is explained in detail in the 2013 SHMA document. In summary the GLA considers the underlying ONS subnational population projections (SNPP) provide a less satisfactory projection of London's population than the GLA's own outputs.

When creating its own household projections, the GLA replicates the methodology employed by DCLG in producing the subnational household projections for England, with the only significant change being to replace the SNPP population inputs with the GLA's own trend-based population projections<sup>6</sup>. The GLA makes use of the *detailed tables for modelling* published by DCLG<sup>7</sup> alongside the main outputs to reproduce the methodology.

A further use of the household projection outputs by the GLA is in the production of housing-led population projections. These are projections of future population that incorporate an assumed set of housing development trajectories. The GLA's models make extensive use of the detailed data and relationships from the household projections.

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<sup>2</sup> <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

<sup>3</sup> <https://www.london.gov.uk/file/15571/download?token=q4aeX4gP>

<sup>4</sup> <https://www.london.gov.uk/file/15569/download?token=M9dckY12>

<sup>5</sup> <https://www.london.gov.uk/what-we-do/planning/london-plan/current-london-plan>

<sup>6</sup> <https://data.london.gov.uk/dataset/interim-2015-based-population-projections>

<sup>7</sup> <https://www.gov.uk/government/statistical-data-sets/2014-based-household-projections-detailed-data-for-modelling-and-analytical-purposes>

## Overview of proposed changes

ONS are proposing a number of changes to the methodology that has been previously employed by DCLG. The full methodology is described in detail in the methodology report<sup>8</sup> accompanying the 2014-based projections. In summary:

Stage 1 produces projections of households by age, sex, and relationship status of the Head of Household (HOH). Head of household in this case is based on an outdated definition no longer in widespread use. A trend of household representative rates from 1971 onwards is used to project forward future household formation assumptions.

This stage involves disaggregation of the underlying population projections by relationship status (single, couple, previously married). This step relies on, the now discontinued, national projections of marital status produced by ONS, not updated since the 2008-based set.

Stage 2 produces detailed projections of households by type (one person, couple, multi-person, with and without dependent children). These projections are produced by applying headship rates to the projected population split by age only. The headship rates are projected forward based on census data from 2001 and 2011 only. The final projected households in each local authority are *constrained* or *controlled* to match the totals calculated in stage 1 of the process.

The key change proposed is to move to a simpler process by removing the first stage of DCLG's two-stage methodology. This step produced projections of households by age, sex and relationship status. The total households by local authority projected in this step acted as 'controlling totals' for the subsequent stage.

In the one-stage approach proposed by ONS, stage 1 is removed from the process and the results of stage 2 form the final outputs without being subsequently controlled to the stage 1 results.

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<sup>8</sup> <https://www.gov.uk/government/statistics/2014-based-household-projections-methodology>

## Response to proposed methodology changes

The GLA broadly supports the move to a single-stage methodology. The changes proposed are pragmatic and consistent with improving the transparency of projections. However, it would be desirable for ONS to undertake a more comprehensive review of the methodology in future, informed by retrospective analysis of sources of error in household projections and a review of alternative methodologies employed in other countries.

The credibility of the stage 1 results is undermined by their reliance on defunct projections of marital status. The use of the 2008-based projections in the most recent (2014-based) household projections was already incongruous and it is difficult to justify continuing this approach without ONS undertaking to update the marital status projections.

Moving away from the old definitions of Head of Household used in stage 1 is welcomed. Projections using these definitions no longer adequately reflect modern society and raise queries about their use even in an intermediate step of the projections.

Arguments can be made in favour of retaining stage 1 on the grounds that the longer period on which the projected stage 1 rates are based adds to the reliability of the projections. The GLA generally favours using longer series of data to project forward for long-term planning purposes. However, the value of incorporating relationships from as far back as 1971 to project future behaviour is unclear, especially when the ONS population projections to which household representative rates are applied are typically based on trends from the last 5-6 years only.

The limited time series on which the stage 2 results are based does raise questions about excessive weight being placed on recent trends, especially given that the period 2001 to 2011 included the 'shock' events of EU enlargement and the financial crisis, both of which had significant impacts on household formation within London and elsewhere.

To some extent, the problems with relying on this limited data series will depend on the methodology used to project recent trends forward. The consultation document does not contain details of how this might be done. The GLA had hoped to analyse the underlying census data that the proposed and existing methodologies rely on, in order that it could come to a more informed view of possible issues. Unfortunately the census tables in question, despite being used for the production of existing official household projections, are not publicly available. At the time of writing, ONS were unable to locate copies of these tables.

The GLA supports the continued incorporation of Labour Force Survey data within the methodology. Of interest in future will be whether ONS is able to also incorporate the results of admin-based estimates of occupied dwellings, that it has currently released in experimental form.

## Ability of the projections to meet the needs of users

DCLG will soon begin consultation on a new standardised approach to determining OAN. The ability of the projections to meet user need will depend on the outcome of that consultation. As such, the GLA is only able to comment on how the proposed methodology and outputs would meet requirements as they currently understand them.

The proposed outputs are similar to those produced in the most recent round of DCLG projections. These are broadly suitable for purpose. For the 2014-based projections, DCLG changed the number of household types output from the 17 produced in earlier rounds to just eight. The GLA has received feedback from users of the household projections stating that this has limited the utility of the outputs.

The reduction in the number of household types output is a result of issues with the underlying census tables produced for the purpose of creating the projections. This problem and the failure to resolve it has been a source of frustration to many users. ONS has proposed to continue to produce outputs on the same eight household types as DCLG.

The proposed changes would not address criticisms levelled at the existing methodology, specifically with regards to the outputs reflecting a continued decline in household formation among young adults. Some commentators have argued that this feature of the projections undermines their suitability as a basis for understanding housing needs.

The GLA's view is that such issues reinforce the importance of ensuring that the projection methodology and assumptions are transparent and that the underlying data is made publicly available. Without adequate transparency, it will not be possible to properly account for additional need beyond that shown in the projections. While DCLG did provide much of the data and information required to scrutinise its projections, ONS should take the opportunity to improve on this by ensuring more comprehensive documentation of the methodology and improved availability of the underlying raw data.

This transparency of methodology and data is also essential in order for the GLA and others to continue to produce household projections based on alternative population projections.