

# **Capturing Regional Capex on the Annual Business Survey**

## **Feasibility study**

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Data Collection Methodology

Office for National Statistics

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## **1.2 Background**

The ABS is conducted annually by the Office for National Statistics (ONS). It is used as a key source of financial information for the UK National Accounts and provides information for Scottish and Welsh Governments<sup>1</sup> for use in their outputs. Financial variables covered include turnover, purchases, employment costs, capital expenditure (Capex) and stocks. National and regional Capex data are produced by ONS to meet user needs and to adhere to European Union (EU) requirements.

The ABS team approached Data Collection Methodology to conduct feasibility research to explore the possibility of collecting regional data directly from businesses in order to improve the quality of current estimates.

## **1.3 Research Aims and Methods**

Specific aims included the exploration of what geographic information businesses already held in their accounting systems, whether businesses would be able to provide regional information, and if so, to what level. The potential impact on respondent burden was also explored.

Qualitative methods were used to collect data (using a mixed mode interview approach) from businesses across a variety of industries. Qualitative analysis was conducted to summarise and categorise data to identify key themes.

The objective of this feasibility study was to provide evidence on the feasibility of collecting a regional breakdown of total Capex (acquisitions and disposals).

## **2. Summary of findings and recommendations**

### **2.1 Respondents' general ability to provide regional breakdowns**

1. Respondents' ability to provide a regional breakdown of acquisitions and disposals of capital assets varied greatly between businesses. This was influenced by the size and complexity of the business structure, as well as the detail recorded with each asset.
2. For businesses who reported that regional information was available, there was not a standardised way of registering where capital acquisitions and proceeds from disposals were located.
3. Where precise regional data were not available, respondents discussed ways in which they could provide estimates – for example, by applying a pro rata based on the number of sites or number of employees.

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<sup>1</sup> Data for approximately nine thousand businesses in Northern Ireland are collected by the Department of Finance and Personnel Northern Ireland and contribute to the UK estimates

4. Not all businesses would follow the same method of estimating regional acquisitions or proceeds from disposals, with implications for data quality.
5. None of the businesses interviewed currently produce accounting reports on where capital acquisitions and proceeds from disposals are located. When asked whether they would be able to give a regional breakdown of capital acquisitions and disposals, respondents could only assume that some reports and processes **could** be done, and some of the responses were only tentative. In some cases, whether this data could be automatically extracted remained unknown.
6. Respondents identified what changes could be made in the accounting system in order to accommodate the ability to provide regional breakdown of capital assets but invariably argued that because of the costs involved to implement the changes and the fact that it would not serve any business needs, the changes were not considered feasible.
7. The person within the business responsible for ABS reporting had, in some cases, only limited knowledge of capital assets recording procedures. These respondents would have to rely on consolidated figures provided by other departments or teams.

Recommendations:

- Consider whether estimates would be acceptable, and if so, provide guidance with any questions.
- Consider cost and impact to respondents should they be required to change their accounting systems.
- The implications on data quality and respondent burden should be thoroughly considered if a decision is made to pursue asking for a regional breakdown of acquisitions and disposals of capital assets.

## 2.2 Respondents' registering and reporting practices

8. Respondents tended to find it easier/less burdensome to provide data at the regional level<sup>2</sup> rather than postcode level.

Recommendation:

- If regional breakdowns are included, the level of detail should be at the regional level, rather than postcode.
9. Businesses that were able to provide geographical breakdown of their capital acquisitions and disposals tended to prefer providing actual figures rather than

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<sup>2</sup> respondents ability to provide information was explored at the following levels of geography :country level (England, Wales, Scotland), high level regional breakdown of UK (North East, North West, Yorkshire and the Humber, East Midlands, West Midlands, East of England, London, South East, South West, Wales and Scotland) and lower level regional breakdown of UK, corresponding to Nomenclature of Units for Territorial Statistics 2 (NUTS2 )

percentages. This was because an actual figure was regarded as more accurate and informative and requires one less step to provide.

Recommendation:

- Consider requesting actual figures rather than percentage in any future questions as this is more favourable from a respondent burden and data quality point of view.

10. Respondents were confused whether they should provide the location of where the **asset is used** or the address of where the **asset is registered**. Where the asset is registered was found to be more straightforward, in particular for assets such as computer software/ hardware and mobile assets such as vehicles.

Recommendation:

- Consider whether requesting information on where the asset is registered (rather than used) meets the data needs, as this was more straightforward for respondents.
- Clear guidance should be provided in any future question as to whether it is the location of asset use or assets registering that should be broken down by region.

11. Acquisitions that are registered in Work in Progress (WIP) accounts are not allocated a region or given a geographical identifier until after they are moved to the capital assets register. Businesses reported that they sometimes include WIP acquisitions in their total reported figures.

Recommendation:

- Any regional breakdown question would need instructions for what to do with WIP acquisitions.

12. Only businesses in Extraction of Crude Petroleum, Information and Communication and Natural Gas and Electricity, Gas, Steam and Air Conditioning Supply sectors were familiar with the term '*extra regio*'<sup>3</sup>. All other businesses needed to have the term explained.

Recommendation:

- Ensure any future question fully explains the term '*extra regio*'– ideally within the question.
- Consider whether any such question should only be asked of industries for which this type of activity is relevant.

13. Respondents provided mixed feedback as to whether or not regional breakdowns could be provided at the individual asset level. Potentially problematic asset

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<sup>3</sup> The extra regio territory is made up of parts of the economic territory of a country which cannot be attached directly to a single region and consists of, among others, national air-space, territorial waters and the continental shelf lying in international waters over which the country enjoys exclusive rights; territorial enclaves, embassies, consulates, military and scientific bases; deposits of energy and natural resources outside the continental shelf of the country, worked by resident units.

categories included: computer hardware and software, mobile assets such as vehicles, plant and equipment, centralised services and networks spanning across regions.

Recommendation:

- The implications on data quality and respondent burden should be thoroughly considered if a decision is made to pursue asking for a regional breakdown of acquisitions and disposals of capital assets, at individual asset level.

*This research focussed on a purposive sample of a variety of industries. Additional to date un-observed issues may emerge from any further research.*