



Valuation Office
Agency

Exploratory General Business Population Survey (2014)

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About Information & Analysis

Information and Analysis is a Directorate within the Valuation Office Agency's Strategy Group. The Directorate is a multi-disciplinary team, with representatives from all of the main analytical professions – statisticians, operational researchers, social researchers and economists. This is strengthened by the addition of Valuer and Knowledge and Information Management professions.

Contents

1.	Key Findings	4
2.	Introduction	5
3.	Findings	6
3.	Technical Notes	10

1. Key Findings



- Eighty five per cent of businesses that took part in the survey occupied only one property. Of those that occupied one property, over half rented (55%).
- For businesses that took part in the survey, their largest financial out goings were wages and salary payments (47%), the next highest category was rent (18%).
- Among those who have a rental contract, around a third renegotiate it every five years (34%), and almost one in five renegotiate it every year (17%)
- Just over a third of businesses that took part had heard of the VOA (36%).
- Knowledge of the rating system was much lower amongst this survey's respondents, from the general business population, than amongst NDR customers who have appealed their business rates, as measured through the VOA's Customer Tracking Survey.

2. Introduction



Businesses are a key customer group for the VOA; both because they undertake regular valuations of properties and because the Agency requires businesses to submit information about their property on a regular basis through Forms of Return. The VOA's existing survey research has focused on understanding customers of businesses that have made appeals against their Rateable Value.

The VOA sought insight into the following areas: property occupation, outgoings including occupation costs, renegotiation of the rental contracts, knowledge of the VOA and experience of submitting rental information, and knowledge of the rating system.

To gain this insight the Agency commissioned a module of questions in an omnibus survey as part of its Customer Tracking Survey contract with Ipsos Mori. Five hundred businesses with an annual turnover of £50,000 or more took part with the main financial decision-maker responding. Businesses were selected by quota to be representative of the wider population (see Technical Notes, page 10). The sample was designed using a quota methodology and weighted to help ensure a mix of all businesses in the UK with a turnover of £50,000+ were adequately represented. However, using this method means that any generalisations to the wider population with statistical certainty cannot be made. The findings should be treated as indicative only.

In addition to obtaining further insight, the survey also functioned as a pilot for future research with the general business population. Findings will be used to inform future research ideas. Questions for the survey were tested with businesses, which served as a scoping exercise to identify other potential respondents, such as estates managers.

3. Findings

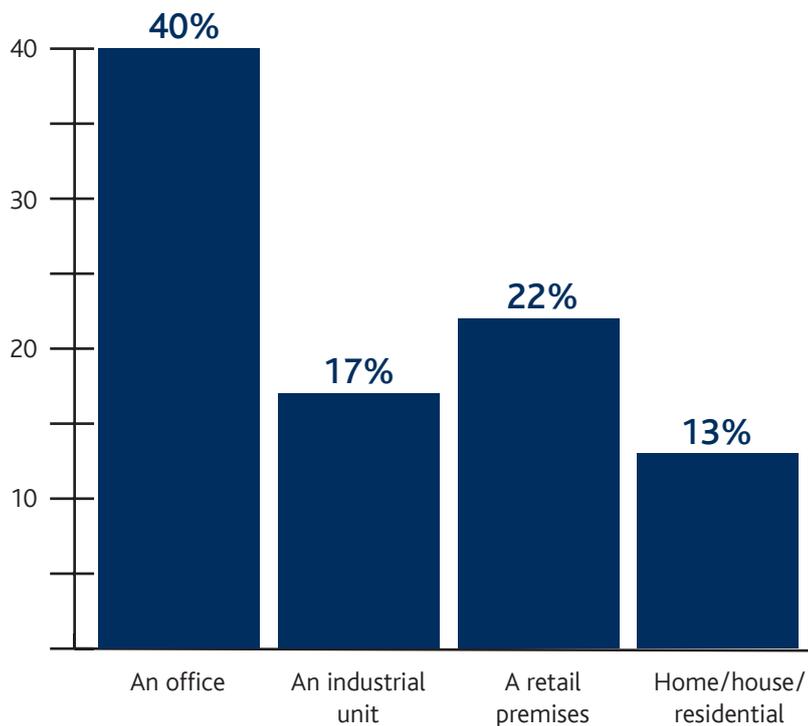


3.1 Business demographics

The majority of businesses that took part in the survey occupied only one property in the UK (85%). Of the businesses who occupied one property, over half of them rent that property (55%). Around half of respondents started to occupy their only or largest site or branch property since 2000 (52%), this includes more than one in ten that started to occupy their property since 2010 (15%).

For around four tenths of businesses, their only or largest property was an office (40%). The next most common types of property were retail premises (22%) followed by industrial premises (17%), and businesses that are run from their home or another residential property (13%, see Figure 1). Residential properties may also include joint business and residential premises, such as living spaces above shops, pubs and on agricultural sites.

Figure 1: Type of only or largest premises (responses over 5%)



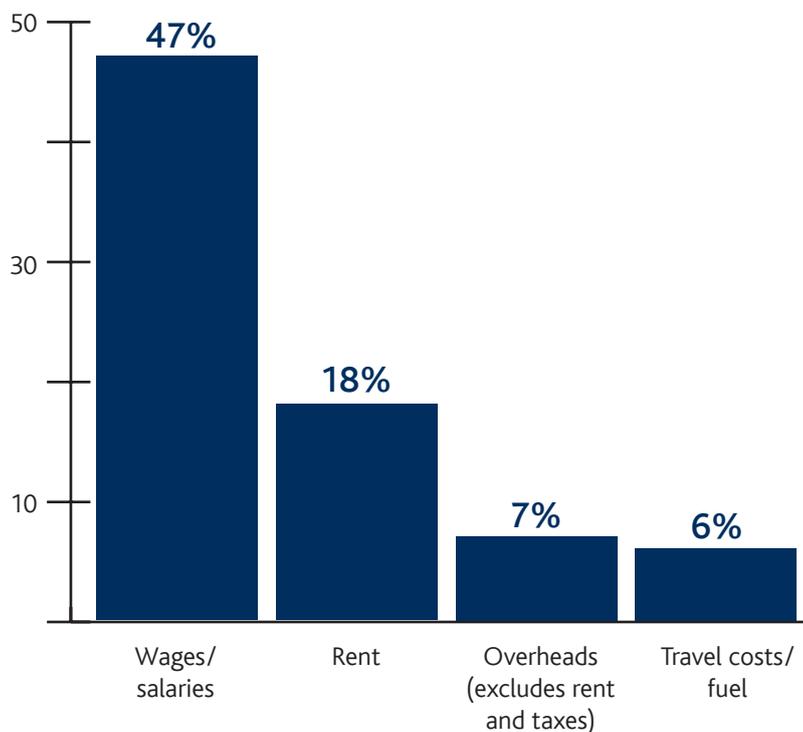
Sample: All respondents (500)

*Home/ house/ residential will include joint business and residential premises, such as living spaces above shops, pubs and on agricultural sites.

3.2 Financial Outgoings

For almost a half of businesses the largest financial outgoing incurred were wages and salary payments (47%). The next highest category was rent, where nearly one fifth of businesses considered it to be their largest financial outgoing (18%, see Figure 2).

Figure 2: Largest Financial Outgoings (responses over 5%)



Sample: All respondents (500)

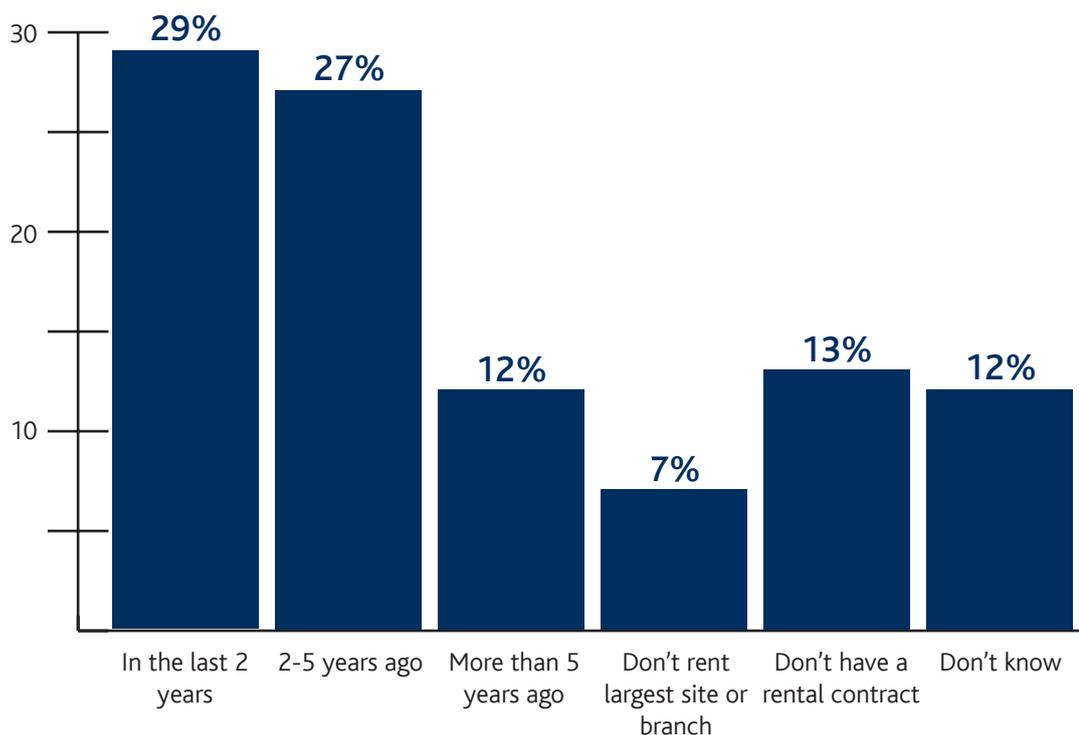
Of those who provided the amount they pay in rent per year, around four tenths pay £10,000 or less (39%), and the same proportion pay between £10,001 and £25,000 (39%). Over one fifth pay over £25,000 (21%). Just under half of businesses who rent a property (47%) said that rent payments make up less than a quarter of their overall outgoings. Fifteen per cent did not provide an answer.

Among all businesses one fifth claimed not to pay any business rates (19%, rising to 45% of those who run the business from a residential property). Almost one in five said they pay £5,000 or less in business rates (17%), and one in ten over £5,000 (10%), while the remainder did not know (23%) or refused to provide an answer (30%).

3.3 Rental Contract Negotiation

Among those who rent a property, just under half renegotiated their rental contract in the last five years. This group was split fairly evenly between those who renegotiated their contract in the last two years (29%) and those who renegotiated between two and five years ago (27%, see Figure 3).

Figure 3: Last renegotiated their rental contract)



Sample: All respondents who rent (312)

Among those who have a rental contract, just over a third renegotiate it every five years (34%), almost one in five renegotiate it every year (17%) and almost one in twenty less often than every ten years (4%). Respondents were asked both when they last renegotiated their rental contract and how often they renegotiate it because testing was inconclusive as to which would work best in a survey.

3.4 The Valuation Office Agency

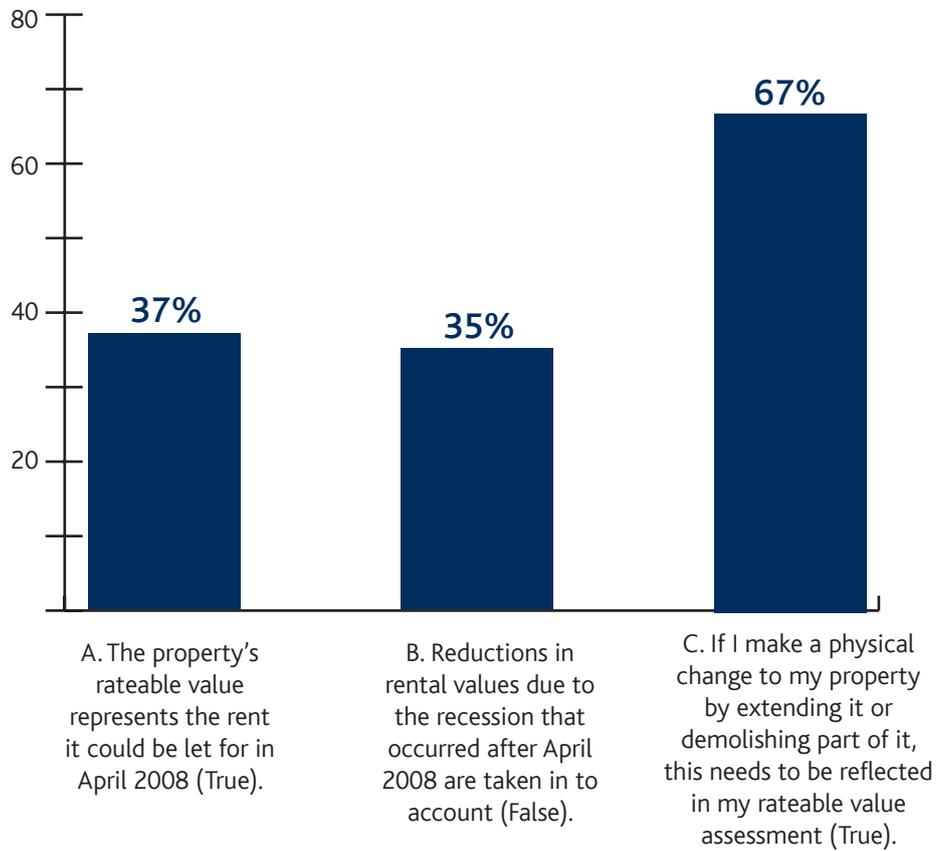
Just over a third of businesses had heard of the VOA (36%). Among businesses that rent a property and have heard of the VOA, almost three-quarters claimed to have provided details of their rent to the Agency (73%). Among businesses that have provided rent details to the VOA, over two-thirds (67%) said it was easy to provide all the information required.

3.5 Valuation System

Business respondents were read a series of three statements about the valuation system and asked whether they were true or false. Figure 4 shows that the majority of businesses (67%) gave the correct answer to the statements "if physical changes are made to the property by extending or demolishing part of it this needs to be reflected in the rateable value". For the other two statements ("the property's rateable value represents the rent it could be let for in April 2008", and "reductions in rental values due to the recession that occurred after April 2008 are taken into account") less than two in five gave the correct answer (37% and 35% respectively). However, around one-third of businesses were

unable to say either way in both instances. Knowledge of these aspects is much lower among the general business population in this survey than NDR customers who have appealed their business rates, as measured through the VOAs Customer Tracking survey.

Figure 4: Awareness of how valuations are determined. Correct responses to statements



Sample: All respondents (500)

4. Technical Notes



The interviews were conducted via a business omnibus. This is a survey where data on a variety of subjects is collected in the same interview. Interviews were conducted between 3 and 13 March 2014 among 500 senior financial decision makers in businesses with a turnover of £50,000+. Businesses with a turnover of less than £50,000 were excluded from the interview.

The main financial decision maker was identified through the following question: "Firstly, to ensure that we are speaking to the right person, can I please check that you have some degree of involvement in the financial decision making of this business?"

The majority of the interviews (450 out of 500) were conducted amongst SMEs (those organisations with up to 250 employees). Quotas were set by size, region and sector (including boosting the number of interviews with larger businesses so a sufficient number are conducted for separate analysis) as set out in the tables below. After fieldwork, data was weighted to be representative of all businesses in the UK with a turnover of £50,000+.

Table 1: Interview Quotas: Size of business

Size of Business	Target number of interviews	Turnover	Target number of interviews
1 employee (sole trader)	50	£50k-£250k	120
2-5 employees	75	£251k-£500k	70
6-10 employees	75	£501k-£1m	70
11-50 employees	150	£1m-£5m	105
51-250 employees	100	£5m-£20m+	135
251+ employees	50		

Table 2: Interview Quotas: Region and sector

Sector (SIC code)	Target number of interviews	Region	Target number of interviews
Production/Agriculture/ Mining	65	Scotland/Northern Ireland	55
Construction	55	North East/Yorks	55
Wholesale	55	North West/ North Wales/West Midlands	85
Retail	55	East Midlands/ East Anglia	80
Hotels & catering	45	South West/South Wales	65
Transport/Communication	35	London	80
Finance/Property/ Business Services	100	South East	80
Education/Health/ Public Admin	45		
Other services	45		