

# The 2010 Report

Dear Colleague,

The Lancashire business community, along with that of UK plc, has had to endure a tough couple of years, and even as we prepare to head into 2011 with a new coalition government, financial commentators and economists are still not sure about the true state of the economy.

We are all hoping that the recent upturn that we have witnessed will be sustainable and that the 'R' word we will be hearing about most over the next twelve months is recovery rather than recession.

However, with uncertainty surrounding the impact of the government's prescription for deficit reduction and some of our banks still airing on the side of caution when it comes to business investment, it would be a brave person who would predict with any conviction where we will be this time next year.

The Lancashire Business Survey, now in its third year, offers a barometer of where leading Lancashire businesses from across the red rose county are at, both in terms of their own internal performances; and also in their outlook on the current economic and political climate.

The results make fascinating reading, and I am sure will be a useful piece of intelligence for the agencies that govern us, and those who have a genuine interest in identifying the strengths and weaknesses of our regional business performance.

I would like to take this opportunity to thank the organisations and companies who have sponsored this initiative; Moore & Smalley, Forbes Solicitors, Freshfield, Soap Media, UCLan, the Northwest Regional Development Agency and Business Link. I would also like to thank all of those who have completed the survey this year.

I am sure you will find the conclusions of this year's survey interesting, and we would welcome your feedback via the survey website.

Yours Sincerely

Frank McKenna,  
Chairman  
Downtown Preston in Business

Sponsors



## 1.0 Company information

Agricultural: 3%	Manufacturing: 9%
Building & construction: 12%	Retail: 2%
Finance: 9%	Services: 32%
Food & drink: 5%	Technology: 7%
Leisure: 4%	Other: 17%

### Summary

Over 100 companies took part in the 2010 Lancashire Business Survey. Respondents represented nine defined sectors (agricultural, building and construction, finance, food and drink, leisure, manufacturing, retail, services and technology). A number also classed themselves as 'other', including public relations, transport and recycling. In a change from last year's figures, the best represented sector was 'services', with building and construction coming in second at 12 per cent.

## 2.0 Financial data

### 2.1 Turnover

Under £1m: 57%	£10m-£25m: 6%
£1m-£2m: 10%	£50m-£100m: 2%
£2m-£5m: 15%	£100m-£200m: 3%
£5m-£10m: 5%	£200m-£500m: 2%

### Summary

The majority, 57 per cent, of the businesses taking the survey, classed themselves as falling into the under £1m category. The next well represented was £2m-£5m, with 15 per cent of the vote; and £1m-£2m with 10 per cent. At the higher end of the scale, 7 per cent of respondents fell into the £50m-£100m, £100m-£200m and £200m-£500m categories.

## 3.0 Sales performance

### 3.1 Sales performance (12 months)

Shrunk: 7%	51-100%: 33%
0-20%: 36%	100%+: 15%
21-50%: 9%	

### 3.2 Pre-tax profit (12 months)

Loss: 12%	51-100%: 24%
0-20%: 44%	100%+: 11%
21-50%: 9%	

### Summary

In a striking statistic, only 7 per cent of Lancashire's businesses questioned for the survey reported sales had actually shrunk over the 12 month period. 93 per cent revealed they had increased sales over the last 12 months, with 15 per cent reporting they had increased sales by more than 100 per cent.

In a similar vein, only 12 per cent of businesses reported posting a loss in profits. 11 per cent reported increasing pre-tax profits by more than 100 per cent.

## 4.0 New government & confidence

### 4.1 Do you think a Conservative / Lib Dem coalition government will be good for business?

Yes: 57%                      No: 33%  
Labour: 10%

### 4.2 What is the main priority for the new Government?

Improve budget deficit: 64%      Review voting process: 3%  
Hold off cutbacks to maintain recovery: 33%

### 4.3 Should the NWDA remain?

Absolutely: 45%                      Culled: 15%  
Trimmed down: 27%                      Not sure: 13%

### 4.4 What is your view on rapid public sector cutbacks?

Wholly necessary: 46%                      Need to wait a year: 24%  
Will cause double dip: 30%

### 4.5 How would you sum up the previous Government?

Created a better economy: 5%                      Caused the recession: 8%  
Reckless / overspent: 12%                      Too much red tape: 33%  
Should have saved during the good times: 37%  
Saved the global markets: 5%

### 4.6 Which policies will best aid recovery?

Government spending: 14%                      Doing nothing: 0%  
Nationalisation if necessary: 4%                      Financial support for business: 36%  
Targeted tax breaks: 27%                      Tighter regulation: 3%  
Cut-backs: 10%                      Other: 6%

### 4.7 When do you think there will be an economic upturn?

End of 2010: 10%                      5-6 years: 8%  
1-2 years: 48%                      7-10 years: 0%  
3-4 years: 34%                      10 years+: 0%

### 4.8 What caused the recession?

US property market: 18%                      UK government: 9%  
US government: 7%                      UK banks: 17%  
US banks: 20%                      UK media: 5%  
Credit culture: 20%                      Other: 4%

### 4.9 How confident would you be about making a major business investment in the next 12 months?

Very confident: 11%                      Not confident at all: 28%  
Moderately confident: 61%

### 4.10 What are the most critical issues facing businesses?

Cashflow (creditors / debtors): (1st) 48%      / (last) 2%  
Keeping current customers: (1st) 13%      / (last) 6%  
Winning new customers: (1st) 12%      / (last) 25%  
Funding: (1st) 15%      / (last) 25%  
Confidence: (1st) 12%      / (last) 42%

### 4.11 How has your business been affected by the recession?

Hugely: 14%                      Holding our own: 48%  
A lot: 20%                      Not at all – still growing: 18%

### 4.12 Which Lancashire theme would best serve the business world?

Look after the pennies...: 36%      Turnover for vanity profit for sanity: 48%  
Save for a rainy day: 16%

### Summary

Businesses questioned do appear to have confidence in the coalition government, with 57 per cent expecting it to be good for business. Some 33 per cent said it would not be, and 10 per cent said Labour would have been better for business.

Sixty four per cent of respondents said the main priority for the new government should be to improve the budget deficit, with 33 per cent urging the government to hold off cutbacks to maintain recovery.

The 2010 survey revealed overwhelming support for the Northwest Regional Development Agency (NWDA), with only 15 per cent calling for the body to be removed. Some 45 per cent said it should not be touched, with 27 per cent saying it should remain but be trimmed down.

Rapid public sector cutbacks were supported by 46 per cent of respondents, but 30 per cent cautioned they could cause a double dip, and 24 per cent urging the government to wait a year.

The previous government came in for criticism, with only 10 per cent having anything positive to say. A resounding 37 per cent said Labour should have saved during the good times, and 33 per cent said it suffered from too much red tape.

Moving forward, 36 per cent of replies said financial support for business would best aid recovery, with 27 per cent urging targeted tax breaks. The best route away from recession would be government spending, according to 14 per cent. The most critical issues facing businesses were revealed to be cashflow (receiving 48 per cent of 'first place' votes), followed by funding (15 per cent), keeping current customers (13 per cent), winning new customers and confidence (both 12 per cent).

The economic upturn will not arrive for 1-2 years, according to almost half of all respondents (48 per cent), with 34 per cent expecting it to take 3-4 years. Just 10 per cent think it will happen by the end of the year. The recession itself was caused by a variety of factors, according to respondents, with 20 per cent blaming US banks, 20 per cent our credit culture, 18 per cent the US property market, and 17 per cent US banks.

Despite the gloomy outlook, 61 per cent of respondents said they would be moderately confident about making a major business investment in the next 12 months. On the flip-side, 28 per cent said they would not be confident at all.

It was heartening to see that 48 per cent of business considered themselves to be holding their own against the recession, with only 14 per cent reporting they have been affected 'hugely', 20 per cent said 'a lot' and 18 per cent actually reported they are growing.

'Turnover for vanity profit for sanity' is the best Lancashire theme for businesses, reported 48 per cent of respondents.

## 5.0 People and Training

### 5.1 Has your headcount changed in the last 12 months?

Increased: 28%                      Decreased: 34%  
No change: 38%

### 5.2 Do you expect headcount to change in the next 12 months?

Increase: 46%                      Decrease: 5%  
No change: 49%

### 5.3 What are your principal obstacles when recruiting staff?

Lack of skills: 37%                      Red tape: 17%  
Transport/location: 9%                Other: 9%  
Adverse perception of your industry or sector: 10%  
Remuneration: 18%

### 5.4 What type of training is available to your staff?

Vocational: 12%                      Job specific: 21%  
Managerial: 8%                      Technical: 11%  
Day-release: 7%                      Mandatory: 9%  
Professional qualifications: 17%    Commercial: 5%  
Leadership: 10%

### 5.5 In your opinion, how well is the education system (schools, further and higher education) preparing people for the workplace?

Highly effective: 2%                      Not effective: 52%  
More could be done: 46%

### 5.6 Please indicate how you believe education could better equip young people for the workplace:

Various answers (see summary)

### 5.7 Have you cut back on training during the recession?

Yes: 24%                                      No, we have increased our spend: 8%  
No: 68%

#### Summary

Businesses reported mixed results in terms of headcount over the last 12 months. 38 per cent said there had been no change, 34 per cent had decreased staffing numbers, and 28 per cent had actually increased. However, only 5 per cent expect a decrease in headcount over the upcoming 12 months. 49 per cent expect no change over the next 12 months, and 46 per cent expect an increase.

The 2010 Lancashire Business Survey has also drawn out some interesting figures relating to recruitment, with 37 per cent saying the principal obstacle when recruiting staff is a lack of skills, 18 per cent remuneration, 19 per cent red tape and 10 per cent an adverse perception of an industry or sector.

Despite the downturn, 68 per cent of companies have continued to invest in their staff, and 8 per cent have increased the training spend available. 24 per cent had cut back on training. Unfortunately, 52 per cent of respondents believed the education system is not effective in preparing people for the workplace, and 46 per cent say more could be done. Just 2 per cent said the system is highly effective.

Respondents had plenty of ideas how education can better equip people for the workplace – from concentrating on core subjects, running appropriate courses and improving discipline, to taking a lead from our European neighbours and improving practical partnerships between education and business.

## 6.0 Funding and support

### 6.1 What funding sources have you used in the last 12 months?

Own profits: 50%                      Bank loan / overdraft: 22%  
Public sector grant funding: 14%    Venture capital: 2%  
Private investors: 3%                      Share issue: 0%  
Other: 9%

### 6.2 Which bank do you use?

RBS / Natwest: 43%                      HBOS / Lloyds / Bank of Scotland: 5%  
HSBC: 16%                                  Yorkshire Bank: 8%  
Barclays: 16%                              Scottish Widows: 2%  
Santander: 8%                              Handelsbanken: 2%

### 6.3 Has the recession affected your overdraft or loan facilities?

Yes: 35%                                      No: 65%

### 6.4 What is your view towards the use of management information?

Essential: 83%                              Used since recession: 11%  
Bank's use: 0%                              Don't need: 6%

### 6.5 In the last three years have you applied for public sector grant funding?

Yes: 38%                                      No: 62%

### 6.6 If so, what type?

R&D grant: 13%                              Capital investment grant: 39%  
Other: 48%

### 6.7 Are you aware of the funding options available through the public sector, such as Business Link Northwest?

Yes: 74%                                      No: 26%

### 6.8 Are your professional advisors based in:

Lancashire: 83%                              Manchester: 5%  
Liverpool: 6%                              London: 3%  
Other: 3%

### 6.9 Do you believe that the professional advisers in Lancashire can provide the same level of advice as Manchester based firms?

Yes: 88%                                      No: 12%

#### Summary

Natwest/RBS are the banks of choice for Lancashire businesses, as shown by 43 per cent of respondents. HSBC and Barclays are in hot pursuit, with 16 per cent of votes each.

Relationships with banks have clearly been affected by the recession – only 22 per cent of respondents reported they had turned to bank loans or overdraft as funding sources. Some 50 per cent had used their own profits, and 14 per cent public sector grant funding. However, in a twist to the results, 62 per cent said the recession had not affected an overdraft or loan facility.

Management accounts have clearly come into their own for many businesses, with 83 per cent reporting they are essential, and 11 per cent saying they have been using them since the recession.

However, only 38 per cent of businesses questioned had applied for public sector grant funding in the last three years, with 39 per cent of those seeking support from capital investment grants, 13 per cent an R&D grant, and 48 per cent 'other' – including job related grants, construction skills and support from Business Link. But the survey showed 74 per cent of respondents were aware of funding options available through the public sector, such as Business Link Northwest.

Hearteningly, the survey also reveals that 83 per cent of respondents turn to Lancashire professional advisers for support, with just 6 per cent Liverpool, 5 per cent Manchester, and 3 per cent London. Eighty eight per cent of businesses believe their Lancashire advisers can provide the same service as a Manchester firm.

## 7.0 Red tape and legislation

### 7.1 To what extent has your business suffered from increased red tape and regulatory changes?

A great deal: 44%                      Nothing: 14%  
A small amount: 42%

### 7.2 How much has legislation cost your business in the last 12 months in fees for professional services and compliance advice?

A great deal: 31%                      Nothing: 11%  
A small amount: 58%

### 7.3 What red tape change would you like to see from the new government?

Freeze NI increases: 69%              Extension for Time to Pay: 31%

#### Summary

Red tape continues to be a burden on Lancashire's businesses, with 86 per cent of respondents reporting it had had an impact, with 44 per cent saying this impact had been 'a great deal'. In all, 89 per cent of respondents also revealed that legislation has cost their business either a great deal or a small amount in fees for professional services and compliance advice in the last 12 months.

Sixty nine per cent of respondents said they would like to see NI increases frozen, and 31 per cent an extension for the Time to Pay scheme.

## 8.0 Local issues

### 8.1 Should rival authorities support Tithebarn?

Absolutely: 75%                      Understand their concerns: 25%

### 8.2 Do you think the Tithebarn project will happen?

Yes: 30%                                  No: 70%

### 8.3 Would the development of a major retail/commercial centre in Preston damage the East Lancashire economy?

Yes: 14%                                  No: 86%

### 8.4 Has the rebranding of East Lancashire as Pennine Lancashire been successful?

Yes: 30%                                  No: 70%

### 8.5 What is Preston city's best landmark?

Winckley Square: 30%                  Bus station: 8%  
Avenham Park: 2%                      Harris Museum: 25%  
The University: 35%

### 8.6 What is your view on Preston Guild 2012?

A very important event: 43%          Waste of money: 16%  
Not bothered: 41%

### 8.7 How effectively is the regeneration of Blackpool as the UK's favourite resort being managed?

Excellent: 14%                          Poorly: 46%  
Satisfactorily: 40%

### 8.8 What are the most positive connotations of Lancashire as a business location?

Most important:

Major urban centres: 26%	Rural environment close by: 16%
Labour pool: 6%	Great education: 0%
Infrastructure: 6%	Middle of UK: 13%
Availability of premises: 6%	Low cost space: 12%
Work / life balance: 12%	Other: 3%

### 8.9 Conversely, what are the most negative connotations of Lancashire?

Most negative:

'Behind the times' perception: 60%	Skills shortage: 20%
Remoteness: 0%	Low value-added manufacturing: 4%
Congestion / transport: 9%	Difficult to recruit in rural areas: 7%
No after hours culture: 0%	Other: 0%

### 8.10 How important is premiership football for our county's clubs?

Essential: 86%                          Doesn't make a difference: 14%

#### Summary

Less than a third of businesses quizzed for the survey think the Tithebarn scheme will go ahead (30%). However, 75 per cent of respondents expressed support for the beleaguered scheme, saying rival authorities should 'absolutely' support it.

Twenty five per cent, though, understood their concerns, but when pressed, only 14 per cent felt a major retail development in Preston would damage the East Lancashire economy.

Of the local issues businesses were questioned on, 70 per cent felt the rebranding of East Lancashire as Pennine Lancashire had not been successful.

In Preston, respondents were asked what the city's key landmark is and 35 per cent said the University, 30 per cent Winckley Square. 25 per cent said the Harris Museum. The bus station and Avenham Park also received a small number of votes.

Voters were tied as to the importance of the Preston Guild event, with 43 per cent considering it a very important event, 41 per cent 'not bothered' and 16 per cent labelled it as a 'waste of money.'

Preston's neighbour, Blackpool, also came in for criticism, with 46 per cent feeling the regeneration of the resort is being handled poorly, 40 per cent said 'satisfactorily' and 14 per cent said it was excellent.

Our survey shows Lancashire has a lot going for it in terms of its location – 26 per cent picked the major urban centres the area boasts as the most positive connotation, with 16 per cent picking the close proximity or rural locations, the centre of the UK receiving 13 per cent, low cost space 12 per cent, a good work/life balance 12 per cent, and the labour pool and quality of infrastructure also receiving votes.

Conversely, an overwhelming 60 per cent of voters said a 'behind the times' perception was the most negative connotation of Lancashire, 20 per cent citing the skills shortage. Congestion, low value-added manufacturing and the difficulty of recruiting in rural areas also received votes.

Finally, 86 per cent of voters said Premiership football was essential for the area's clubs.