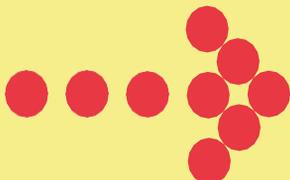


The State of Growth in Lancashire

A State of Growth Report by Growth Flag
Spring 2024



growth flag+

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Introduction and Key Takeaways



Welcome

This State of Growth Report provides a comprehensive outlook on business growth potential in Lancashire over the next year.

This report is based on data from Growth Flag, an innovative, first-of-its-kind, online tool that provides a forward-looking outlook on growth in individual businesses and local economies throughout the UK.

Our objective and evidence-based systems take comprehensive firm-level datasets that are constantly updated to create a powerful Growth Propensity Model (aka a Growth Score). The higher the score, the more likely a business is to achieve 20% growth in the next financial year. Businesses that are likely or very likely to achieve this growth are said to have a 'high growth score'. This growth is based on multi-variate analysis calculations, so the actual financial measure showing growth will differ depending on the best predictor by size of each enterprise.

Growth Flag has been developed by Red Flag Alert, a data intelligence platform, and the Growth Company, a social enterprise with 30+ years' experience of delivering economic and business growth. In changing times, being able to find growth potential is more important than ever.

This report provides an outlook of growth potential in Lancashire businesses as of February 2024 (focusing on the ceremonial county which includes Blackpool and Blackburn with Darwen), including highlighting key statistics on the distribution of growth potential and the potential value of this growth. The report looks at what is driving growth potential in Lancashire, as well as where there may be barriers or risks to growth being achieved.

The analysis in this report is designed to facilitate data-led strategic interventions for positive change in local economies. Growth Flag data is currently used by a variety of councils, combined authorities, universities and private sector organisations. The data can help inform economic development activities, support business development, the design and delivery of policies and strategies, and the prioritisation of resources.

To learn more about how Growth Flag can further support the Lancashire economy or to download the data from this report, please visit growthflag.com

*Growth is everywhere,
Growth Flag can help you find it.*



Introduction

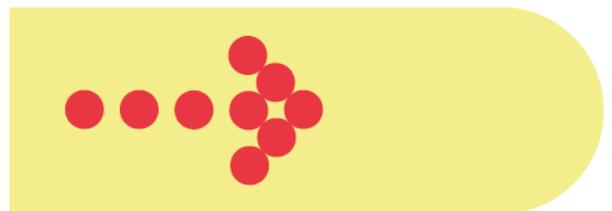
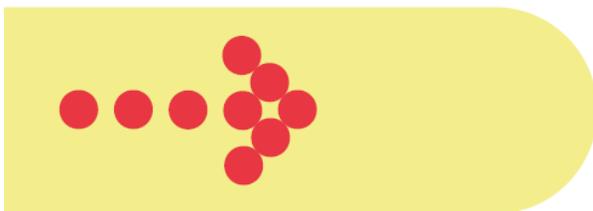
Lancashire is a county in the North West of England, home to around 1.5 million people.

Situated less than an hour from Manchester Airport and just 2 hours from each of the capitals of London and Glasgow, Lancashire is ideally placed for business.

Lancashire has a skilled workforce, a rich history of innovation, and some of the best universities in the UK. A key centre of the industrial revolution producing half of the world's cotton in 1860, Lancashire continues to have a variety of opportunities for economic growth today. From building on its already international reputation for advanced manufacturing and aerospace, to building new and emerging sectors in cyber, electronics, clean energy and space, Lancashire has significant potential as a powerhouse for growth.

As well as significant opportunities, Lancashire also faces challenges – some shared nationally and some more unique. Parts of Lancashire face profound disparities around productivity and skills measures, while some historically significant sectors are now needing to pivot in order to prevent job losses. The county's wide geographical span from Blackpool to Pendle and Lancaster to West Lancashire also presents potential challenges connecting communities and growing a range of economies.

Growth Flag data shows that 47% of Lancashire businesses have growth potential – though the statistics at a district level vary significantly. This report provides key information on the growth potential of Lancashire's businesses, and provides some analysis of trends, drivers and barriers to this growth in order to facilitate local efforts to maximise growth.



Key Takeaways

Growth Flag data shows that growth and growth potential is everywhere, including in places you may not expect to find it.

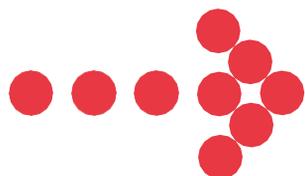
This State of Growth Report provides the latest evidence on growth potential in the ceremonial county of Lancashire, and provides analysis of these findings.

Key findings from this report include;

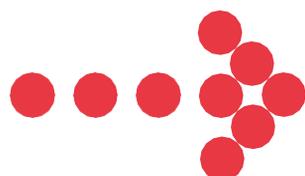
- **15% of Lancashire's businesses are forecast to grow by 20% in the next year.**
- While Lancashire has higher than average concentrations of businesses forecast to achieve 20% growth over the next year, **there are significant differentiations in these concentrations throughout the county.**
- **Preston has the highest number of businesses displaying both growth potential and high growth potential – however, these numbers are only a small proportion of the city's total business base.** This finding is consistent with wider trends identified by Growth Flag looking at cities in the UK economy.
- **Over 1,000 businesses in Lancashire are simultaneously displaying signs of high growth potential and financial distress.** These businesses should be prioritised in business support efforts in order to realise potential growth.
- In the Growth Flag Power Outlook, **Lancashire is highlighted as an area where high value growth potential is widely present in the business base.** There are strong foundations for Lancashire to pursue a strategy of broad growth, building on existing strong growth potential.
- **Growth potential is not distributed to the same extent as the rest of Lancashire in Blackburn with Darwen or Blackpool,** however, they perform broadly in line with the national average. Additionally, high growth potential businesses in Blackpool generally have a low asset base, limiting the value of business growth locally.

Headline Statistics

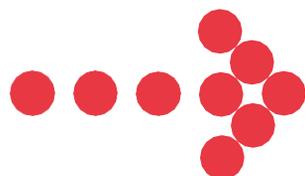
These pages include some of the headline statistics on growth potential in Lancashire. These statistics are analysed further over the following sections.



75,798 businesses
are active in Lancashire



35,509 (47%) of these businesses
are forecast to grow in the next year*



11,467 (15%) of businesses
are forecast to grow 20% in the next year

What businesses make-up these numbers?

Our analysis is designed to provide a more comprehensive look at local economies than some other datasets, including data commonly used from the Office for National Statistics. These are the main differences:

We do include:

- all businesses which report to be actively operating in the county – even if they are not registered for VAT/PAYE or are micro businesses
- businesses which are newly incorporated in their first year and yet to file accounts (around 20,000 of the total 75,798 businesses)

We don't include:

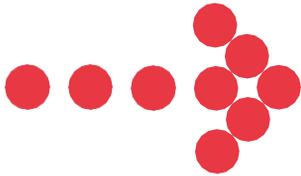
- businesses which are officially inactive, not trading, pre-insolvency, insolvent, at strike off or dissolved
- non-limited businesses – such as a person offering products/services

*only qualifying businesses with 2+ yrs of accounts are included in growth forecasts



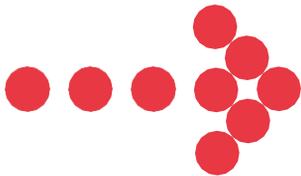
Headline Statistics

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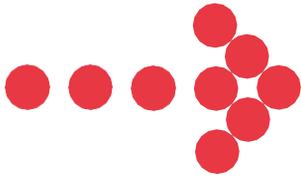
1,040 businesses in Lancashire

are likely to achieve 20% growth, but are showing distinct early signs of financial distress



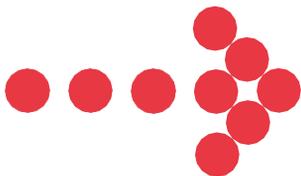
13% of Lancashire's businesses

are located in Preston – more than any other Lancashire district



£18bn

is the value of the total assets of Lancashire's high growth potential businesses



£588bn

is the value of the total assets of all of Lancashire's businesses



Evidence of Growth Potential



Distribution of Growth Potential

Across Lancashire, 15.1% of businesses are likely or very likely to achieve growth of 20% in the next year. This is significantly higher than the UK average of 13.1%.

Growth potential does though vary throughout the Lancashire, with some places having a much higher proportion of businesses that are expected to go on to achieve this high growth. Areas including Blackpool, Hyndburn, Preston and Burnley are in line with the UK average at 13%, while other areas such as Chorley, Ribble Valley,

Lancaster, West Lancashire and Rossendale have much higher proportions of businesses with high growth potential – all over 17%.

Across the UK, Growth Flag analysis has found that larger cities tend to have high absolute numbers of businesses with high growth potential, though these are generally small proportions of the local business base.

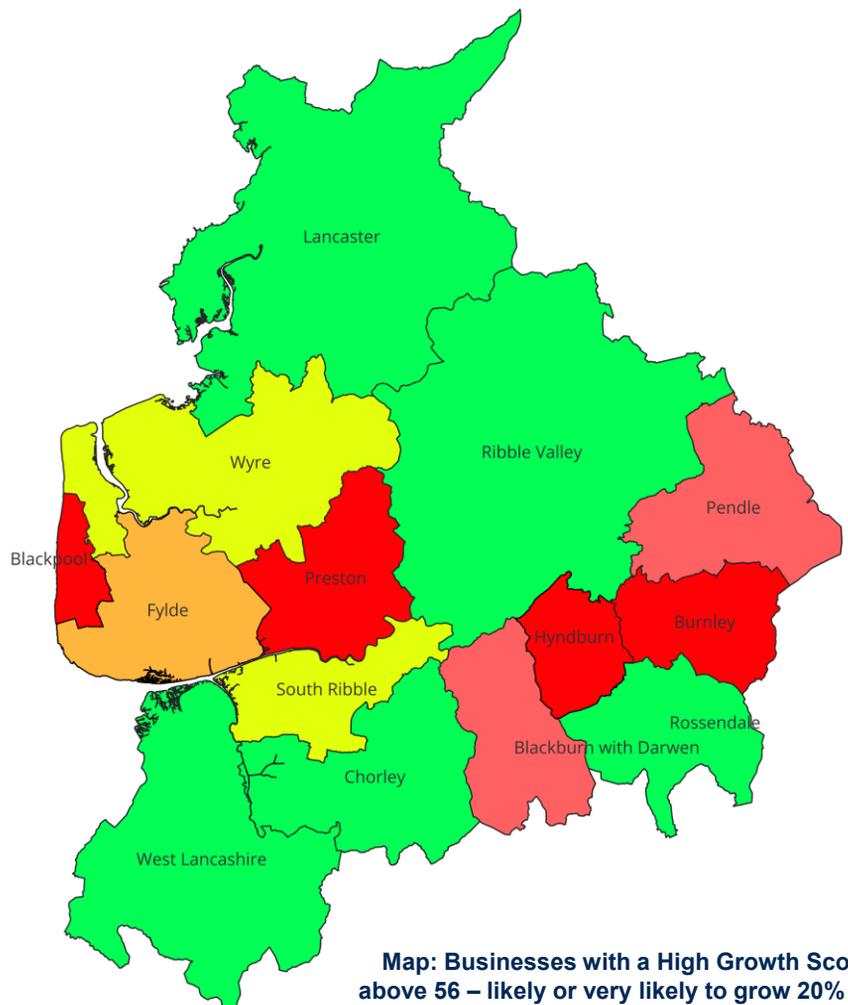
The map below shows how growth potential is distributed throughout Lancashire.



All areas of Lancashire are either in line with or above the national average.

Percentage of Businesses with a Likely/Very Likely Growth Score

- 13 - 14%
- 14 - 15%
- 15 - 16%
- 16 - 17%
- 17 - 18%



Map: Businesses with a High Growth Score above 56 – likely or very likely to grow 20% in the next year

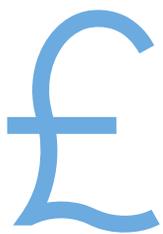
Assets Analysis

Growth Flag analyses the total assets of businesses with high growth potential in order to provide context on how valuable business growth may be to local economies.

Across Lancashire, high growth potential businesses have total assets of nearly £18bn – while the total assets of all businesses in the county stands at £588bn. Over the past three months, the total assets of the cohort of high growth businesses in Lancashire has increased, while the overall asset base has decreased.

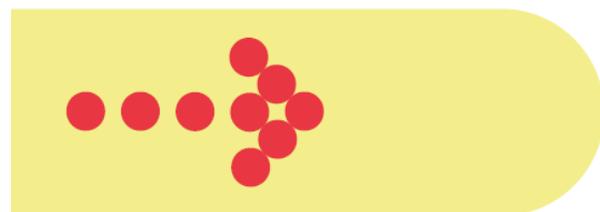
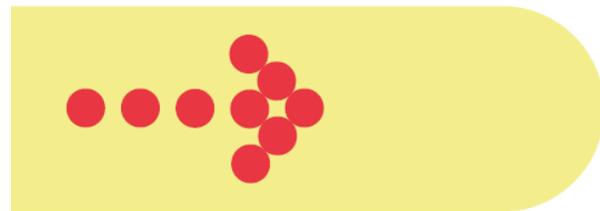
This analysis demonstrates the significant value of businesses locally, and the potential financial rewards if growth on this was achieved.

The total assets of high growth businesses in each Lancashire district has also been calculated and these figures are included in the Districts Analysis on page 14. The figures vary throughout the county and could be used to facilitate further investigation into business bases as part of targeted scale-up programmes.



£18bn

The Total Assets of
Businesses in
Lancashire with High
Growth Potential



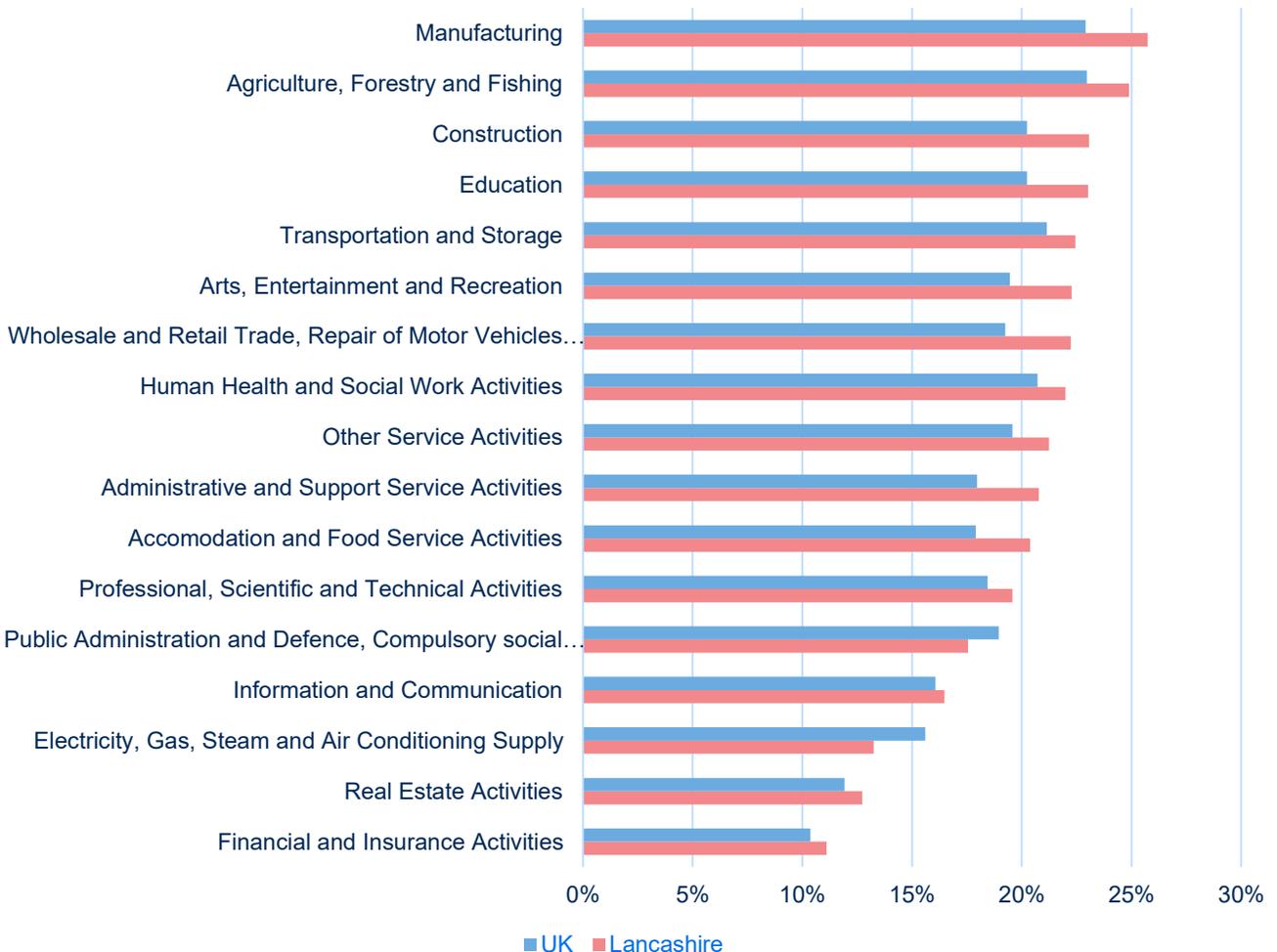
Sectors of Growth

Growth potential varies by sector, as well as location. While in Lancashire the highest number of business with high growth potential can be found in the Professional, Scientific and Technical Activities sector, sectors which have the highest proportion of high growth businesses in the county include Manufacturing Agriculture, and Construction.



Lancashire has higher proportions of high growth businesses than the UK average in almost all key sectors.

Percentage of Businesses with High Growth Potential by Sector in Lancashire



Due to the limitations with SIC sectors, Growth Flag uses AI analysis to achieve more efficient matching of businesses to sectors. More granular sectoral analysis can be found at growthflag.com.



The Growth Flag Risk Cohort

The Growth Flag Risk Cohort tracks companies which are likely or very likely to grow 20% in the next year, but at the same time have one Red Flag which means that they are showing distinct signs of financial ill health.

At the start of 2024, there were over 66,000 businesses in this cohort throughout the UK – 26% of these businesses in England were in combined authority areas.

In total, 6,808 businesses in Lancashire are showing One Red Flag, indicating early signs of financial distress (33% of such

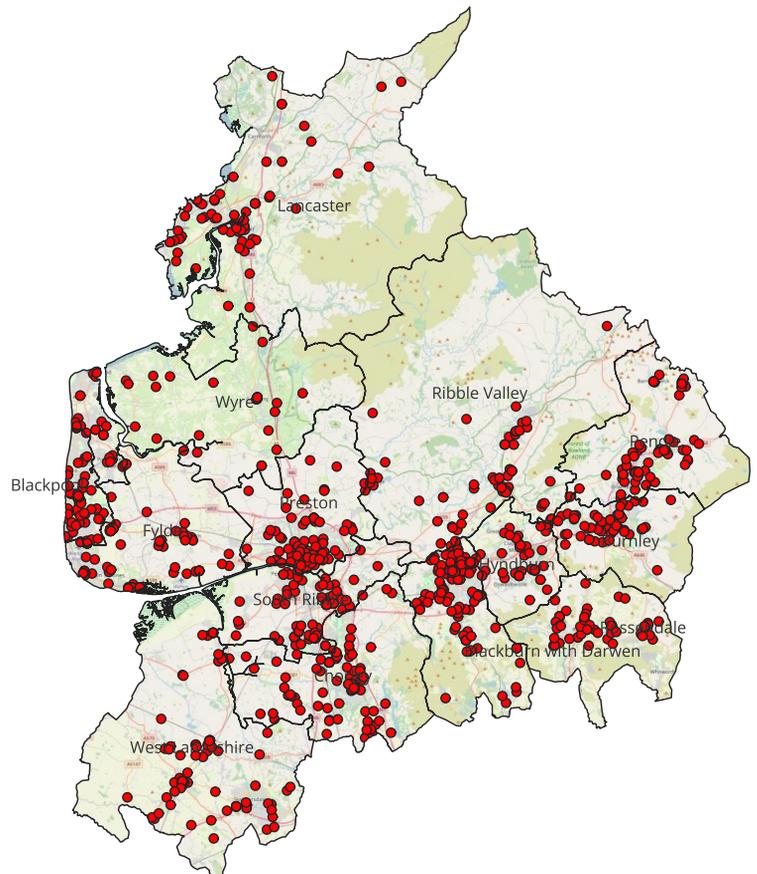
businesses fail within two years), while 1,040 of these businesses also shows signals of high growth potential.

These numbers are included as a call to action, as these businesses may need urgent support in order to achieve the forecasted growth. Focusing business and economic development support efforts on these businesses is recommended to secure growth in the economy that may otherwise be lost.

A full list of the businesses in this cohort in Lancashire can be found through the Growth Flag platform.



There are currently 1,040 businesses in this cohort, spread across Lancashire.



Local and National Challenges

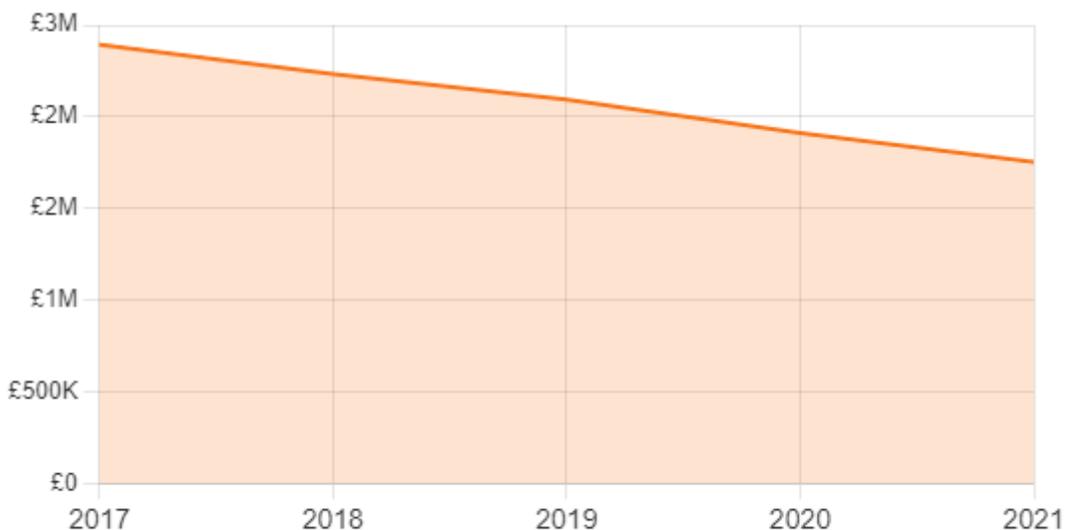
While many businesses in Lancashire have strong growth potential, this should be viewed in context of some of the challenges faced that could pose barriers to growth.

On a national level, businesses have had to adapt to challenging and changing economic circumstances, with periods of very high inflation and interest rates over recent years impacting both businesses and consumers. Factors such as Brexit, the coronavirus pandemic and the Russo-Ukrainian war have made economic conditions increasingly challenging following low-growth in the UK economy for almost 2 decades.

At a local level in Lancashire, both the fixed assets and total assets of businesses fell year on year between 2017 and 2021. The turnover of businesses has been more stagnant, though has fallen by a smaller extent since 2017. These trends apply both to high growth potential businesses, and the wider business base.

Achieving growth in businesses relies on a range of factors, including those that may be specific at an organisation-level. Understanding and considering both national and local context is key to business growth being achieved.

Reduction in Total Assets of High Growth Potential Businesses Since 2017



Districts Analysis

The table below sets out analysis of Growth Flag data by local authority area in Lancashire.

The table shows that growth potential varies significantly across different parts of the county. While Preston has the highest number of businesses with high growth potential (likely or very likely to

achieve 20% growth in the next year), these businesses make up a small proportion of the business base compared to other areas. Chorley and Blackburn with Darwen appear strongly against many metrics, though do have relatively high numbers of growth businesses showing early signs of financial distress.

| | Number of Active Businesses | Number of Businesses with Growth Potential | Percentage of Businesses with Growth Potential | Number of Businesses with High Growth Potential | Percentage of Businesses with High Growth Potential | Total Assets of Businesses with High Growth Potential | Average Assets of Businesses with High Growth Potential | Number of Businesses in the Growth Flag Risk Cohort |
|-----------------------|-----------------------------|--|--|---|---|---|---|---|
| Blackburn with Darwen | 8,797 | 3,503 | 40% | 1,188 | 14% | £3bn | £2.5m | 133 |
| Blackpool | 5,593 | 2,332 | 42% | 750 | 13% | £578m | £770k | 87 |
| Burnley | 3,584 | 1,475 | 41% | 482 | 13% | £1bn | £2.1m | 38 |
| Chorley | 5,723 | 2,873 | 50% | 969 | 17% | £5bn | £5.1m | 91 |
| Fylde | 6,629 | 3,661 | 55% | 1,001 | 15% | £675m | £674k | 85 |
| Hyndburn | 3,385 | 1,377 | 41% | 442 | 13% | £446m | £1.0m | 41 |
| Lancaster | 5,506 | 2,913 | 53% | 950 | 17% | £1bn | £1.0m | 79 |
| Pendle | 4,161 | 1,720 | 41% | 597 | 14% | £942m | £1.5m | 58 |
| Preston | 9,943 | 4,299 | 43% | 1,275 | 13% | £2bn | £1.5m | 106 |
| Ribble Valley | 3,719 | 1,880 | 51% | 650 | 17% | £810m | £1.2m | 58 |
| Rossendale | 3,437 | 2,002 | 58% | 616 | 18% | £296m | £480k | 40 |
| South Ribble | 4,814 | 2,287 | 48% | 794 | 16% | £953m | £1.2m | 87 |
| West Lancashire | 5,612 | 2,723 | 49% | 980 | 17% | £704m | £718k | 76 |
| Wyre | 4,895 | 2,464 | 50% | 773 | 16% | £517m | £668k | 61 |



Strategic Focus & Comparative Performance



Introducing the Growth Flag Power Outlook

Robust data on growth potential can be transformative for local economies throughout the UK, and we regularly highlight this potential through analysis reports, including the Growth Flag Annual Report.

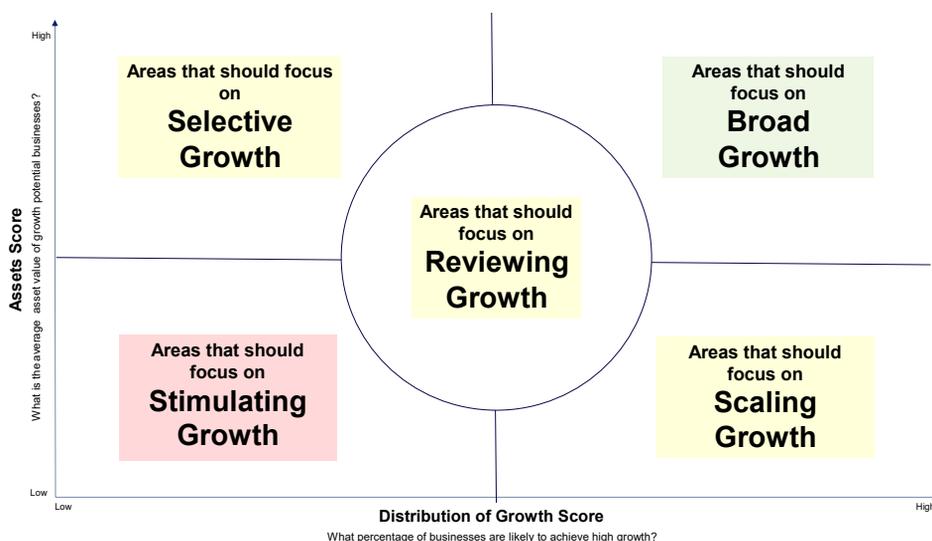
The Growth Flag Annual Report features the Growth Flag Power Outlook - an innovative, forward-looking outlook on growth potential and its value in places. Using first-of-its-kind analysis, the outlook reveals new spatial patterns in the economy and for the first time allows direct comparison between places.

The Power Outlook analyses two scores. First, the Distribution of Growth Score – this tells us the proportion of active businesses in an area which have high growth potential. Secondly, the Assets Score – this analyses the average total assets of those businesses, telling us how significant the growth potential may be to a local economy.

The outlook is built by looking at the businesses with high growth potential – those which are forecast as likely or very likely to achieve 20% growth in the next year. This is aggregated up to the upper-tier (or single tier) local authority. For Lancashire, there are insights for the county council area, as well as separate insights for the unitary authority areas of Blackpool, and Blackburn with Darwen.

To help local places maximise their growth potential, the outlook recommends a strategic focus for each area depending on their two scores.

In a complex and changing economy, there is no set answer for where local areas may hope to be on the chart. However, areas at the top of the chart show the best position for assets, while being in the top right also means there is the highest distribution of growth potential across the business base of any area.



What are the Strategic Focuses?

Each local authority on the Growth Flag Power Outlook is recommended a strategic focus based off the evidence from their two scores. Here is a look at what each of the focuses means.

Areas that should focus on **Selective Growth**

These areas have high value growth potential concentrated in a small proportion of local businesses.

We recommend that these places should be selective in their focus of growth – decide here between consolidating the position of existing big players, or focusing on helping the longtail of lower value businesses to boost their growth potential.

Areas that should focus on **Broad Growth**

These areas have high value growth potential widely present in the local business base.

We recommend these areas should embrace a strategy to continue building on their strong potential, without being complacent.

Areas that should focus on **Reviewing Growth**

These areas have a reasonable base of businesses with high growth potential and an asset base on which to build. These areas should review their current growth plans and secure more intelligence.

Areas that should focus on **Stimulating Growth**

These areas have a large proportion of low growth potential business, compounded by small asset bases among businesses with higher growth potential.

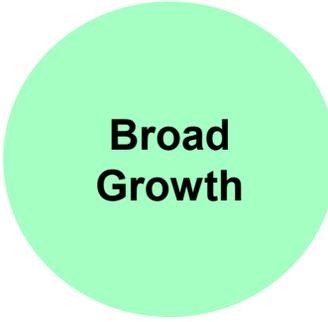
We recommend these areas should focus on stimulating growth in businesses.

Areas that should focus on **Scaling Growth**

A high proportion of businesses in these places have high growth potential, but focusing on scale-up strategies and growing businesses to achieve higher asset values could be beneficial.

The Growth Flag Power Outlook 2024

The Growth Flag Power Outlook shows how areas perform on the two scores relative to the rest of the UK. To find out the positions of other areas and to access recommended questions designed to facilitate these strategic focuses, download the Growth Flag Annual Report at growthflag.com.



Broad Growth

Lancashire

is identified in the Growth Flag Power Outlook 2024 as an area to focus on Broad Growth.

This means there is high value growth potential widely present in the local business base. We recommend that Lancashire should embrace a strategy to continue building on their strong potential, without being complacent.



Selective Growth

Blackburn with Darwen

is identified in the Growth Flag Power Outlook 2024 as an area to focus on Selective Growth.

This means there is high value growth potential concentrated in a small proportion of local businesses. We recommend that Blackburn with Darwen be selective in their focus of growth – deciding here between consolidating the position of existing big players or focusing on helping the longtail of lower value businesses to boost their growth potential.



Stimulating Growth

Blackpool

is identified in the Growth Flag Power Outlook 2024 as an area to focus on Stimulating Growth.

This means there is a large proportion of low growth potential business, compounded by small asset bases among businesses with higher growth potential. We recommend that Blackpool focuses on stimulating growth in businesses to achieve greater growth moving forward.

Implications

The findings of this report show an overall positive outlook for business growth potential in Lancashire over the next year. However, as the report has highlighted, there is no room for complacency. The distribution and value of growth potential varies significantly across the county, with notable disparities in some areas.

This report contains analysis and insights for every part of Lancashire and is designed to help facilitate the development of policy, strategy and delivery with the latest robust data on the local economy. The Growth Flag Power Outlook suggests data-led strategic focuses for Lancashire Blackburn with Darwen and Blackpool, while the districts analysis included in this report highlights how different areas perform against a variety of metrics. The analysis in this report may challenge perceptions about the current and forecast position in Lancashire's business base, while the findings present clear calls to action. In particular, there are some key implications to note:

- **Over 1,000 businesses** in Lancashire have high growth potential but are displaying signs of financial distress. **Without support, the growth potential of these businesses may be lost, and some of these businesses may have to cease trading.** These businesses are present throughout the county, though particularly in Preston, Blackburn with Darwen and Chorley where there are high levels of growth potential businesses.
- The report highlights a variety of spatial patterns in Lancashire's business growth story. **Lancaster, West Lancashire, Wyre and Rossendale all have high concentrations of growth potential businesses, but these areas may benefit from scale-up support to increase the value of this growth.** There is also a wider picture in the county of reducing total assets over recent years.
- **Manufacturing, Agriculture and Construction show as the strongest SIC sectors for Lancashire** based on the proportion of businesses expected to achieve 20% growth in the next year, while other sectors have higher raw numbers of businesses. **A balance should be struck in the support of businesses in a variety of sectors, based off the latest evidence.** The county performs better than the UK average in the majority of key sectors.

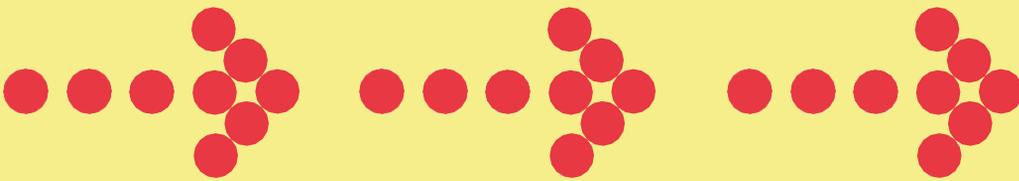
The data and findings in this report offer a comprehensive but high-level summary of the growth potential in the Lancashire economy. More detailed analysis can be provided by Growth Flag's team of expert analysts through Growth Flag+ projects – find out more at growthflag.com.

**Growth is everywhere,
Growth Flag can help you find it.**



growth flag+

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growthflag.com**



The State of Growth in Lancashire

Data as of February 2024. Data is based on live business data and is subject to change.
Prepared by Nathan Shoesmith, Growth Flag+ & GC Insight