Introduction

Scottish Enterprise (SE) welcomes this important inquiry. Our response focuses on questions one, two and five, relating to the preparations that businesses are making for Brexit and the support being offered by the enterprise and skills agencies to both stimulate more companies to prepare and to support companies in doing so.

The enterprise and skills agencies have a key focus in stimulating more companies and organisations to actively plan for Brexit. This will help ensure business, and wider economic, resilience in the face of this significant change.

What impact the Article 50 negotiations have had upon individuals, businesses and organisations to date?

As part of SE’s regular economic trends survey work with account managed companies we have asked questions relating to Brexit preparations. The survey results below are based on feedback from 1,195 account managed businesses surveyed between November 2017 and September 2018. It is important to note that as this is a survey of SE account managed businesses, the results cannot be taken as representative of the business population as a whole (although the findings do reflect those of similar surveys across the UK).

The headline figures show that at the time of survey, 33% of companies were planning for Brexit, a further 45% intended to do so and 22% had no plans to prepare. This varied considerably by sector, with tourism and chemical sciences, for example, already actively planning while sectors such as creative industries, textiles, food and drink, and oil and gas...
either intended to plan but hadn’t started or have no plans to prepare. Since April, we have seen significant upturn in those preparing plans among tourism, life sciences and chemical sciences companies whereas others, (textiles and food and drink in particular), are awaiting further clarity before taking action. See chart below:

We have asked those companies that have not yet started planning when they anticipate starting. Over half replied that they didn’t know when they would start or that they would start in 6-12 months time, with less than 20% saying that they would start in the next 3 months. These companies are most likely to say they do not have enough information yet to plan. These results highlight the lack of information and clarity, however, the variation in results across sectors suggests that some key uncertainties in certain sectors are gradually becoming clearer.

Around 20% of respondents have consistently reported that they do not anticipate planning for Brexit at all, which reduces to 15% when you take out the companies who have identified a need to prepare but have no plans to do so at this time due to insufficient information. This 15% includes companies, across all sectors, who are focused primarily on the UK market or non-EU export markets. It also includes companies, in financial and business services for example, that have corporate headquarters overseas which will be managing any preparations.

The survey goes on to suggest that companies focused on either UK or non-EU markets do not see Brexit as relevant to them, despite the likely changes to the availability of labour, business regulation and the cost of imports post-Brexit. Our future engagement with these companies will provide this broader information and support.

**What preparations, if any, are being made by individuals, businesses and organisations for the range of scenarios which may result from the Article 50 negotiations?**

The survey referenced above also asked companies that are actively planning for Brexit to highlight any opportunities or challenges identified.

Over recent months a sharpening of plans, ideas and actions has emerged, as more companies begin to consider their plans in depth. These companies are reviewing supply chains and logistics, but also looking positively for new markets, new products to develop and sell, as well as ways to become more efficient.

This reflects the 'find a way to do business' mantra adopted by some companies and which has been articulated consistently. They argue that while there are concerns around leaving the EU, and other global factors such as increased protectionism and trade disputes, they still need to evolve and adapt to benefit from any advantage they can.

15% of companies highlighted opportunities in the UK, primarily in sectors which have low numbers of exporters (like construction). Among exporters that have conducted Brexit planning, the region identified as presenting most opportunities is Europe – almost half of the companies highlighted Europe as having the most opportunities for existing exporters over the next 5 years.
Businesses identified a number of challenges associated with Brexit, with four main ones being:

- **Talent attraction and retention** – of greatest concern to technology, engineering and creative industry companies
- **Future trade tariffs and arrangements** – of greatest concern to creative industries, food & drink, and textiles companies
- **Competitiveness and cost pressures** – of greatest concern to textiles and food & drink companies
- **Future regulations and regulatory frameworks** – of greatest concern to life sciences, financial & business services, and renewables & low carbon companies

12% of companies surveyed that have not yet started planning for Brexit said that they would welcome support from SE to help them prepare (this represents approximately a quarter of the businesses that are planning to make preparations). The next section of our submission outlines the work being undertaken by the enterprise and skills agencies to stimulate greater awareness among businesses of the need to actively prepare for Brexit and the practical support being delivered in conjunction with other partners.

**What further support or guidance the Scottish Government, UK Government and / or European Commission should be providing to enable individuals, businesses and organisations in Scotland to prepare for the UK’s withdrawal from the EU?**

In early August 2018, we launched our joint Prepare for Brexit campaign. This pan-Scotland campaign offers support to any business in Scotland to help them identify and address the issues and implications as a result of Brexit. It is being jointly delivered by the enterprise and skills agencies (Scottish Enterprise, Highlands and Islands Enterprise, Scottish Development International, Skills Development Scotland, Scottish Funding Council), in conjunction with a range of intermediaries and other business support organisations (including Business Gateway, Chambers of Commerce, CBI Scotland, Federation of Small Business and the Scottish Cities Alliance) who will help promote and support campaign delivery.

The initial phase of the campaign targeted current exporters and is already being delivered. From the start of November, the campaign will be expanded to support all companies, whether or not they export and regardless of size or sector. It will be promoted via a dedicated prepareforbrexit.scot website and provide companies with a direct link into partners to access support and advice, covering a range of business-related themes including:

- Business planning
- Workforce skills and talent
- Growing overseas business

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• Supply chain flows and relationships
• Innovating to adapt and develop new products and services
• Accessing investment and funding
• Financial management, contracts and regulatory compliance

A new online diagnostic tool will help businesses identify their exposure to Brexit-related risks and opportunities before directing them to appropriate support. This includes online information and articles, access to expert advice, events and workshops, as well as potential financial assistance.

As part of the expanded campaign activities, we are actively engaging with foreign-owned companies across Scotland to identify any particular risks, opportunities or support needs they have.

Collectively, the remit of the enterprise and skills agencies enables them to support companies address the risks and opportunities under each of these themes. Over and above this, we are also helping companies access additional expert advice and financial support.

With most companies across Scotland yet to develop and implement a Brexit plan, we are adopting an agile approach and keeping our support under constant review. We will respond to any changes in demands by business, or issues identified via the online diagnostic tool, in order to bring forward new or different business support as appropriate. We continue to liaise with similar organisations in Northern Ireland and the Republic of Ireland, sharing intelligence and insights on how best to support businesses prepare for Brexit.

**Conclusion**

We hope that the information we have provided is of interest to the Committee and will be of value to their discussions. If the Committee would like to read the full report of our economic trends survey it is available online³.

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³ [https://infograph.venngage.com/s/sLTyAe7yE3o](https://infograph.venngage.com/s/sLTyAe7yE3o)