

# **Island Business Resilience Fund: Island Communities Impact Assessment**

**August 2025**

## 1. What are the aims, objectives and impacts of the Fund?

The Scottish Government's creation of the Islands Business Resilience Fund (IBRF) responds to ongoing disruption to ferry services due to a combination of constrained vessel capacity, breakdowns, vessel repairs and delays in replacement vessels. These issues have led to an increase in cancellations over the past three years.

The majority of Scotland's islands rely upon ferries for access, but **not all have experienced the same level of disruption.**

The objective of the IBRF is to provide targeted financial support to businesses on islands that have been **most disproportionately impacted** by ongoing ferry service disruptions. It aims to support resilience, by way of a **one-off financial award**, to those **businesses on the most affected islands** to help them maintain operations.

**The targeted nature of the IBRF means that not all islands will receive funding.** This reflects an evidence-based assessment of the varying levels of disruption experienced across different ferry routes and the way those ferry routes serve islands, with funding prioritised for islands where the cumulative impact on businesses has been most severe and sustained.

To ensure effective use of the limited funding available, work has been carried out in collaboration with Highland and Islands Enterprise (HIE), which has expertise in supporting island businesses and delivering funding across island communities. HIE's input has informed the development of the IBRF to ensure it is targeted in the most impactful way to reach those most in need.

## 2. What data is available and who will be affected by the Fund?

The IBRF provides support to island-based businesses that have been most adversely impacted by ferry service disruptions. We used aggregated operational data provided by CalMac for the last three contract years (CY) to assess the scale of disruption across routes. Our analysis focused on **the percentage of cancelled sailings as a proportion of scheduled sailings**, identifying those **routes with the highest levels of service failure.**

Considerations on the impact of cancellations on all available CalMac routes showed that a number of routes experienced the highest levels of disruption – defined as exceeding 15% of all scheduled sailings. This provided us with our evidence-based threshold for prioritisation of eligibility.

The table below shows cancelled sailings as a percentage of scheduled sailings over the last three contract years (CY6-CY8), and for CY 8 only for these routes.

<b>Routes</b>	<b>CY 6-8 total</b>	<b>CY 8 only</b>
Mallaig – Lochboisdale	35%	37%
Kennacraig – Islay/Colonsay/Oban	22%	33%
Mallaig – Armadale	22%	28%
Oban – Castlebay/Lochboisdale	17%	19%
Ardrossan – Brodick	16%	15%

This data clearly indicates that the following islands have experienced the most significant and sustained disruption, and should therefore be prioritised for support through the IBRF:

- Arran
- South Uist
- Colonsay
- North Uist
- Eriskay
- Benbecula
- Berneray
- Grimsay

This method of prioritisation supports a fair, evidence-based approach to allocating limited funding where business impacts have been most acute. It also reflects stakeholder feedback and supports the policy objectives of the Islands (Scotland) Act 2018 and the National Islands Plan (see below).

Ferry disruption varies significantly across routes, which impacts island businesses in different ways. For example, some routes have experienced extremely high levels of cancellations, while others are more stable or have alternative transport options.

This variation is why the IBRF uses a targeted approach rather than a blanket one. The table below shows routes that have experienced over 15% cancellations in the most recent contract year and have no alternative ferry or land route. These were used to help prioritise support under the Fund.

<b>Routes</b>	<b>CY 6-8 total</b>	<b>CY 8 only</b>
Ardrossan – Campbeltown	56%	Cancelled
Mallaig – Lochboisdale	35%	37%
Kennacraig – Islay/Colonsay/Oban	22%	33%
Mallaig – Armadale	22%	28%
Oban – Castlebay/Lochboisdale	17%	19%
Ardrossan – Brodick	16%	15%

By focusing support on the most severely affected routes/islands, the IBRF provides a mitigation for the disproportionate business impact on certain islands.

We have also aligned the IBRF with our National Islands Plan Strategic Objectives (namely Supporting Sustainable Economic Development).

In line with the Islands (Scotland) Act 2018, the IBRF also reflects the duty placed on relevant authorities – including Scottish Ministers (Section 7) **to consider whether policies or services are likely to have a different effect on island communities compared to other areas of Scotland.**

The IBRF has been designed in close collaboration with HIE, which brings specialist knowledge of the needs of island-based businesses and funding delivery experience.

### **3. Consultation and engagement**

In addition to analysing the cancellation data, we have received consistent and detailed feedback from island communities and businesses on the impact of ferry disruption. Stakeholder views have also been gathered from existing consultation reports, meetings and other channels of engagements to inform the design of the IBRF.

Ministers, officials and enterprise agencies have heard directly from those most affected, including engagement between the Cabinet Secretary for Transport (and her officials) and island community groups such as the **South Uist Business Impact Group**. HIE also provided us with a wide range of views from the businesses they support highlighting the challenges they have experienced as a result of ferry disruption.

Formal consultation on the IBRF has not been required as it was developed in direct response to urgent and evidence-based need. However, going forward we will continue to engage with key stakeholders, including HIE and island-based businesses to help fully evaluate the impact of the Fund.

To ensure the IBRF reflects the unique nature of the challenges faced by island-based businesses, HIE will commission an independent evaluation of the fund in course. This will help understand its impact and inform any future funding or policy decisions.

### **4. Assessment**

Our assessment highlights some unique impacts on island communities because of sustained ferry disruption. These include risks to local economic stability of the most impacted islands – particularly in relation to the visitor economy and perishable goods sector.

HIE analysis concluded that these are the most impacted sectors. The reasons for this are outlined in the following paragraphs.

- Visitor Economy

Tourism is a major driver across island economies and is key to supporting the year-round viability of hotels, restaurants and visitor attractions. When ferry services are disrupted these organisations suffer more acutely than other sectors in terms of reduced footfall and revenue. HIE have confirmed that the sector believe they face long-term impacts through the loss of confidence in the ferry network. The ‘Socio-economic impact of CalMac ferry services: [Phase 2 Report by the Centre for Economics and Business Research \(2022\)](#)’ also underlines the importance that tourism has as a key economic driver for islands served by the ferry network.

- **Perishable Goods**  
The perishable goods sector is directly impacted by supply chain disruption, with the inability to move products leading to rapid deterioration of goods and loss of income. In addition to shorter shelf lives there are wider knock on effects – including reduced confidence in island food producers and increased costs for hauliers, which may have been passed onto both businesses and consumers.

## Scope

As outlined above; to maximise the impact of available funding (**£4.4 million**), the IBRF has been designed to support the islands and sectors most impacted by disruption.

Islands that have experienced significant **direct disruption**, defined as **15% or more direct cancellations** over the past three contract years include South Uist, Colonsay and Arran.

In addition, some other islands have experienced **significant indirect disruption** due to having to take alternative, less convenient, ferry routes and encountering delays as a result of the extra pressure on the remainder of the network. These islands are:

- North Uist
- Eriskay
- Benbecula
- Berneray
- Grimsay

Targeting both direct and indirect impacts ensures the IBRF reflects the realities of ferry cancellations across the network and provides proportionate support to the businesses most affected.

Acknowledging the significant financial pressures on the Scottish Government, **it is not possible to provide funding in response to all disruption**. However, in response to this current period of sustained and significant disruption and specifically cancellations, the Scottish Government has established the IBRF to mitigate the impact on the worst-affected islands’ businesses and support their resilience going forward.

**The IBRF is a direct mitigation**, designed to support island-based businesses on islands that have been the most affected by ferry disruption. Additionally, the Fund has been developed with input from HIE, helping to ensure maximum impact.

Ongoing engagement with stakeholders will help monitor the IBRF's effectiveness and identify any further support needs.

### **Eligibility criteria<sup>1</sup>**

Eligibility is focused on the sectors most impacted by ferry disruption, based on evidence from HIE and previous engagement with stakeholders. These are visitor economy businesses such as cafés, accommodation providers and tour guides, as well as businesses involved in the perishable food and drink sector.

The IBRF is open to small and medium businesses, including sole traders and micro-enterprises. While grant levels are linked to the number of permanent island-based employees - to reflect economic and social impact (please see the following paragraph), smaller businesses remain fully eligible for support.

We have made efforts to ensure the application process is as simple and accessible as possible, particularly for smaller businesses who may have limited capacity.

**Please note that full eligibility criteria and sector definitions are set out in the [Islands Business Resilience Fund guidance](#).**

### **Level of funding**

The IBRF is intended to support ongoing business resilience and island employment. The level of awards to a business will therefore vary according to the number of permanent employees working on the island. Businesses that incur higher wage bills - because they employ more people (and thereby create greater economic and social impact), will be awarded higher grants within the parameters of the Fund.

### **Is a full Island Communities Impact Assessment required?**

Yes. The evidence clearly demonstrates that some islands are experiencing disproportionately high levels of ferry disruption (>15% of all scheduled sailings). This means that some island-based businesses are facing significantly different impacts compared to others, including other island communities.

This means the policy is likely to have significantly different effects between island communities, and **a full Island Communities Impact Assessment is required under the Islands (Scotland) Act 2018.**

This IBRF is anticipated to have an overall **positive impact** on businesses in the eligible sectors on eligible islands. However, businesses on most islands will not be

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<sup>1</sup> Ferry cancellations were used as the primary indicator of disruption, as this is the most robust and consistent measure available. While other forms of disruption (such as capacity constraints) are recognised, they are harder to quantify and often mitigated through contingency measures. Focusing on cancellations ensures that a consistent threshold is applied across all routes.

eligible, as they have not experienced ferry disruption at the same scale. We accept that this does not mean that those islands are unaffected by ferry disruption, and that some stakeholders may see this as a limitation.

Available data shows that a significant number of businesses on islands are small or micro-businesses. We also acknowledge that this may have an impact on take-up due to the limited capacity of some businesses to engage with the application process. To address this, we have worked with HIE to ensure that the application process is as straightforward as possible.

In conclusion, the IBRF has been designed to **mitigate the worst impact of current ferry disruptions based on the evidence available**. This inevitably means that different islands will be affected in different ways and we therefore consider that **a full Island Communities Impact Assessment should be undertaken (please see below)**.

## 5. Island Communities Impact Assessment

The decision to introduce a new Islands Business Resilience Fund is, in itself, a mitigation for the **adverse and disproportionate impacts** that ferry disruption is having on some islands and some sectors. The evidence shows that some routes have experienced exceptionally high levels of cancellations, with significant economic consequences for businesses in certain sectors on those islands.

Whilst the Scottish Government acknowledges that many islands experience some level of disruption, current financial constraints mean it is not possible – or appropriate - to provide blanket funding to all island communities.

However, the evidence clearly shows the severity of the disruption on some islands, and so the Scottish Government has established the IBRF to mitigate the impact on the worst-affected islands' businesses.

Delivery by HIE has been identified as the most effective and immediate method, due to their existing relationships with island businesses, their on-island presence, and their experience of delivering similar grant support in similar contexts.

The IBRF has been designed to support businesses within **the sectors that have been put most at risk** (namely the visitor economy and perishable goods sector), on the **islands that have faced the most disruption** (>15% of ferry disruption, based on three-year performance data).

**Positive outcomes** are expected for eligible islands and sectors, but it is acknowledged that many islands will not benefit directly from the IBRF, even though they may be experiencing some (albeit lower) levels of ferry disruption.

No alternative delivery mechanisms are currently proposed, as the HIE model offers both speed and local sensitivity. However, **ongoing monitoring and engagement** will help us to identify whether any further interventions or adjustments are needed.

In summary, **the IBRF aims to mitigate the worst impacts of ferry disruption in a fair, transparent and targeted way**, while acknowledging that not all affected communities can be supported through this intervention.

## 6. Adjustments

The IBRF's **evidence-based eligibility criteria** are intended to maximise its impact, by focusing on islands that have experienced the most severe levels of disruption (over 15% of sailings cancelled) and on those sectors that have been more impacted than others (the visitor economy and the perishable goods sector).

Grant levels will be tailored to business size, with larger grants awarded to businesses that employ more permanent island-based staff. This approach recognises the greater economic and social impact of these businesses and helps support local jobs and ongoing resilience.

**Delivery mechanisms do not vary by island**, but the eligibility criteria ensure that **only those communities and sectors facing the most disruption are included**. HIE has been chosen as our delivery partner to ensure local knowledge, consistency, and fairness in implementation.

The impact of the IBRF will be assessed through an evaluation carried out by HIE with active involvement from the Scottish Government's Islands Policy team. Lessons learned will inform future approaches.

Finally, the **lessons learned through this Island Communities Impact Assessment** - particularly around the value of using robust, island-specific data, will inform the design of future policies and funding schemes. This will help strengthen the Scottish Government's ability to respond effectively to transport disruption and other place-based challenges facing island communities.

## 7. Publishing

We will publish our Island Communities Impact Assessment on gov.scot, so those wishing to access it can do so in order to understand the impact of the Island Business Resilience Fund on island communities in Scotland.

We will publish our Island Communities Impact Assessment in **both English and Gaelic**, in acknowledgment of the significant Gaelic-speaking communities in several island communities. To ensure this Island Communities Impact Assessment was published as quickly as possible, it has initially been made available in English. A Gaelic version is currently being prepared and will be published in due course.

This Impact Assessment will also be available as part of Highland and Islands Enterprise's 'People Impact Assessment' which was undertaken during development of the Island Business Resilience Fund.

This Island Communities Impact Assessment has been approved by **Anna Densham, Deputy Director for Land Reform, Rural and Islands Policy**, and will be published on the relevant Scottish Government platform to ensure accessibility for our stakeholder.



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