

Island Business Resilience Fund: Island Communities Impact Assessment (Updated December 2025)

December 2025

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

The Islands Business Resilience Fund (IBRF) was launched in July 2025 in response to previous disruption to ferry services as a result of 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 meant that not all islands were eligible for funding. This reflected 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.

Following the conclusion of a first round of funding, this Island Communities Impact Assessment (ICIA) has been reviewed to support considerations for a second cohort of eligible islands recognising that, whilst the first round was targeted at those in most severe need of support, disruption has also affected other islands.

To ensure effective use of the limited funding available, work will continue to be carried out in collaboration with Highland and Islands Enterprise (HIE), who delivered round one and have 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 with the funding available.

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

Round 1

The first round of the IBRF provided 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.

Routes	CY 6-8 total	CY 8 only
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 indicated that the following islands had 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

Round 2

The second round of the IBRF builds on the operational data provided by CalMac. The 15% disruption figure has been lowered to 10% which brings the following islands into scope:

- Coll
- Tiree
- The Small Isles (Eigg, Rum, Muck and Canna)

The previous assessment recognised that ferry disruption varies significantly across routes and subsequently, impacted island businesses in different ways. The objective for round one was to focus on routes that have experienced higher levels of cancellations.

This revised ICIA, goes beyond cancellation data alone and, building on the recognition in the first assessment, takes into consideration a wide range of stakeholder feedback noting issues such as reduced capacity.

This provides further scope and prioritisation and, building on the data used in round one, support 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).

Following this analysis, the islands identified as facing alternative types of disruption (primarily capacity issues from vessel changes on routes) are:

- Barra
- Vatersay
- Islay
- Jura
- Mull
- Iona
- Ulva

The Islands (Scotland) Act 2018 includes 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 is itself a programme recognising the differential experience of island communities, and the differential experience of particular island communities, as set out above.

3. Consultation and engagement

The previous ICIA noted that no formal consultation relating to the IBRF was carried out as it was developed in response to urgent evidence based need. It highlighted that going forward we will continue to engage with key stakeholders, including HIE and island-based businesses, to help fully evaluate the impact of ongoing disruption and the Fund.

Therefore, in addition to existing data, we held three online engagement sessions in collaboration with the Scottish Islands Federation to discuss the first round of funding and gather further views on the remaining ferry-related challenges faced by island businesses.

Over the three sessions, there were 71 participants as follows:

- 25 Nov 14:30 -15:30 – 26 attendees
- 25 Nov 19:00 -19:30 – 13 attendees
- 27 Nov 12:00-13:00 – 32 attendees

This highlighted a range of views re-iterated the effects on businesses across islands that have faced capacity issues.

4. Assessment

This revised assessment continues to demonstrate distinct impacts on island communities because of sustained ferry disruption. This includes risks to the local economic stability of the most impacted islands - particularly in relation to the visitor economy and perishable goods sector.

The stakeholder engagement sessions reinforced that ferry disruption is a systematic challenge. Participants described disruption as chronic rather than occasional,

encompassing not only cancellations but also reduced capacity when larger vessels are replaced by smaller vessels, missed connections and frequent timetable changes. These factors collectively undermine confidence in the transport network, creating reputational damage that persists after services resume.

Economic impacts were also highlighted across multiple sectors. Tourism businesses highlighted shortened seasons, lost income and cancellations that wipe out projected revenue, while retail and haulage firms face increased costs from re-routing and overnight stays. Beyond financial strain, stakeholders noted significant mental health pressures on business owners and contractors, alongside depopulation risks as families and skilled workers relocate because of unreliable connectivity.

Participants stressed that ferry reliability is fundamental to island viability and called for long term investment in addition to short term support.

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.

Reflecting on the feedback from stakeholder engagement and consultation events, it was judged that extending the scheme to further islands, whilst retaining the sectoral focus/eligibility, remained appropriate for the purposes of the IBRF. The wider issues which were raised are being taken forward through ferry upgrades and other Scottish Government interventions

Scope

As outlined above; to further maximise the impact of the remaining funding available, the IBRF has been expanded to support a second cohort of islands and sectors most impacted by disruption comprising of:

- Coll
- Tiree
- The Small Isles (Eigg, Muck, Rum and Canna)
- Barra
- Vatersay
- Islay
- Jura
- Mull
- Iona
- Ulva

Targeting both direct and indirect impacts ensures the IBRF reflects the realities of ferry disruption 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, the second cohort of funding allows the islands above to fall into the expanded scope and become eligible for support.

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 continue to help monitor the IBRF's effectiveness and identify any further support needs.

Eligibility criteria¹

The eligibility will remain consistent with the first round of funding, focusing 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.

¹ 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.

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. 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 many islands will not be 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 an 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. The expansion allows for a greater coverage, and therefore further mitigation of the issues faced by island communities.

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.

Positive outcomes are expected for eligible islands and sectors, but it is acknowledged that even with expansion, some islands may still have experienced some disruption, albeit in a lesser capacity than those included within the fund.

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 expansion of the IBRF further mitigates 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 a further cohort of islands that have experienced the most severe levels and type of disruption 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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