Island Resilience Fund 2026-27: Island Communities Impact Assessment

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Scottish Government
Riaghaltas na h-Alba

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

The Islands Resilience Fund (IRF) is a first 100 days of Government commitment made by the First Minister to support the resilience and sustainability of Scotland's island communities. Phase 1 of the Fund comprises a £3 million package of targeted support for island businesses and organisations disproportionately affected by sustained ferry disruption during 2026-27.

The need for intervention arises from the continued disruption experienced across Scotland's ferry network as a result of vessel shortages, breakdowns, repairs, reduced capacity and delays to replacement vessels. Whilst reliability has improved on some routes, ferry disruption continues to have significant economic and social consequences for many island communities, affecting business operations, visitor confidence, supply chains, workforce availability and access to essential services.

Phase 1 builds on the Islands Business Resilience Fund (IBRF), launched in 2025. An independent evaluation found that the Fund improved business resilience, helped businesses maintain operations and safeguarded employment. However, it also concluded that many of the challenges facing island communities are structural and longer-term in nature, including transport connectivity, workforce recruitment and retention, community capacity and supply chain resilience.

The primary objective of the Fund is to provide targeted financial support to island businesses and organisations experiencing the greatest impacts from sustained ferry disruption. The Fund aims to:

- increase business and community resilience;
- support the continuation of trading activity and service delivery;
- protect island-based employment;
- improve confidence amongst island businesses and organisations; and
- support the sustainability of island communities by maintaining key economic and community activity.

The 2026-27 Fund has also been informed by lessons learned from previous funding rounds and stakeholder engagement. Changes to eligibility criteria are intended to better reflect the realities of island economies by recognising portfolio livelihoods, clarifying eligibility for fish catching and aquaculture businesses, extending support to hauliers and improving access for smaller volunteer-led organisations.

The anticipated impacts of the Fund are expected to be positive for eligible island communities. These include helping organisations manage the immediate financial consequences of ferry disruption, protecting jobs and local economic activity, supporting community services and strengthening resilience within some of Scotland's most remote and ferry-dependent communities. The Fund is also expected to contribute to wider community sustainability by helping maintain local supply chains, supporting population retention and reinforcing confidence in the viability of island communities.

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

A range of quantitative and qualitative evidence has informed the development of the Islands Resilience Fund.

Previous Fund Delivery and Evaluation
The Scottish Government and Highlands and Islands Enterprise (HIE) have drawn upon evidence gathered through delivery of the Islands Business Resilience Fund (IBRF) during 2025 and 2026. The IBRF provided support to 444 businesses across 19 islands affected by ferry disruption. An independent evaluation found that ferry disruption continued to have a significant impact on island businesses, reducing visitor numbers, disrupting supply chains and increasing operating costs. The evaluation concluded that the Fund improved resilience for many recipient organisations, with 78% of survey respondents reporting improved resilience and 62% reporting that support had helped safeguard jobs and turnover. Overall, the evaluation estimated that the Fund helped safeguard approximately 666 jobs and £5.9 million in turnover.

The evaluation also identified a number of lessons for future support. These included concerns that some eligibility criteria may have excluded organisations experiencing adverse impacts, particularly smaller businesses, some voluntary organisations, fishing businesses and organisations operating across multiple sectors. Stakeholders also highlighted the importance of recognising wider resilience challenges facing island communities, including workforce retention, transport connectivity, community capacity and supply chain resilience.

Ferry Disruption Evidence
The Fund is intended to respond to the continuing effects of sustained ferry disruption experienced by some island communities. Evidence from previous rounds of funding utilised operational ferry performance data, stakeholder feedback and analysis undertaken by HIE and the Scottish Government to identify islands experiencing the greatest impacts. This evidence demonstrated significant variation in the scale and nature of disruption experienced across Scotland's islands, with some communities facing prolonged service cancellation, reduced capacity, timetable changes and constraints on the movement of goods and people.

Analysis undertaken by HIE also identified worsening disruption affecting Harris and Scalpay over the past 15 months, resulting from cancellations due to technical reasons on the Uig-Tarbert/Lochmaddy and Berneray-Leverburgh routes. This evidence has informed proposals to expand eligibility for the 2026-27 Fund.

Stakeholder Engagement
In addition to quantitative evidence, the Scottish Government undertook stakeholder engagement with island businesses, community organisations and representative bodies to better understand the ongoing impacts of ferry disruption and gather views on future support. Findings from this engagement have informed the design of the Fund and are discussed further in the Consultation and Engagement section below.

Who will be affected by the Fund?
The Fund is expected to have a direct positive impact on eligible businesses and organisations located on islands that have experienced sustained ferry disruption and meet the Fund's eligibility criteria. This includes organisations operating within previously eligible sectors as well as groups newly brought into scope through clarifying eligibility for fish catching and aquaculture businesses, extending support to hauliers and improving access for smaller volunteer-led organisations.

The Fund is also expected to have indirect positive impacts on island communities through supporting employment, maintaining local services, strengthening local supply chains and contributing to wider community resilience. Stakeholder engagement highlighted that island businesses, community organisations and residents are highly interconnected, meaning support provided to organisations can generate benefits across the wider community.

The effects of the Fund will not be uniform across all island communities. Some islands and organisations will remain ineligible because available evidence indicates that the impacts of ferry disruption have been more severe or sustained in some communities than others. The Fund therefore adopts a targeted approach in order to maximise the impact of available funding and direct support towards those island communities experiencing the greatest adverse effects.

3. Consultation and engagement

The Scottish Government has undertaken ongoing engagement with island communities, businesses and stakeholders throughout the development and delivery of support measures addressing the impacts of ferry disruption.

The original Islands Business Resilience Fund (IBRF), launched in 2025, was developed in response to urgent evidence of ferry disruption affecting island communities. Following delivery of the initial Fund, the Scottish Government and Highlands and Islands Enterprise (HIE) undertook further engagement to better understand the ongoing impacts of disruption and to inform future support. This included three online engagement sessions delivered in partnership with the Scottish Islands Federation (SIF) during November 2025, attended by 71 stakeholders from island businesses and communities. Feedback from these sessions informed the expansion of the IBRF and highlighted the wider effects of ferry disruption beyond cancellations, including vessel capacity constraints, impacts on visitor confidence and supply chains, and challenges facing island businesses and communities.

The Scottish Government has continued to build on this evidence base during the development of the Islands Resilience Fund. In July 2026, a further programme of engagement was undertaken in partnership with the Scottish Islands Federation to gather views on the proposed Fund, including eligibility criteria, types of support, delivery arrangements and wider resilience challenges facing island communities.

Four online engagement sessions were held between 16 and 28 July 2026, involving a total of 175 participants:

- 16 July 2026: 41 attendees
- 21 July 2026: 43 attendees
- 22 July 2026: 41 attendees
- 28 July 2026: 50 attendees

Participants included businesses, community organisations, development trusts, representative bodies, transport operators and island residents from across Scotland's island communities. Stakeholders consistently highlighted the continuing impacts of ferry disruption on business viability, employment, supply chains, visitor confidence, access to services and wider community sustainability. Participants also emphasised that ferry disruption affects entire island economies and communities rather than individual sectors alone.

Feedback from both the 2025 and 2026 engagement exercises aligns closely with the findings of the independent evaluation of the Islands Business Resilience Fund, which identified the positive contribution of previous funding rounds whilst recognising the continued impacts of ferry disruption and wider resilience challenges facing island communities.

Evidence gathered through engagement and evaluation has informed the development of the 2026-27 Fund. In particular, it contributed to proposals to clarify eligibility for fish catching and aquaculture businesses, extend support to hauliers, recognise portfolio livelihoods and improve access for smaller volunteer-led organisations. These changes are intended to better reflect the realities of island economies and the types of organisations affected by sustained ferry disruption.

4. Assessment

The Islands (Scotland) Act 2018 places a duty on relevant authorities to consider whether a policy, strategy or service is likely to have an effect on an island community which is significantly different from its effect on other communities in Scotland.

The evidence gathered during the development of the Islands Resilience Fund demonstrates that island communities continue to experience impacts arising from ferry disruption which are materially different from those experienced by mainland communities. These impacts are both economic and social in nature and reflect the reliance of many islands on ferry services as essential infrastructure for the movement of people, goods and services.

The independent evaluation of the Islands Business Resilience Fund found that ferry disruption has resulted in reduced visitor numbers, increased operating costs, supply chain disruption and reduced business confidence across many island communities. It also found that the impacts extend beyond individual businesses and affect wider community resilience, particularly in relation to workforce retention, access to services and the sustainability of local economies.

Stakeholder engagement undertaken during both 2025 and 2026 reinforced these findings. Participants highlighted the unique challenges faced by island communities where ferry services represent a critical connection to employment, healthcare,

education, supply chains and essential services. Stakeholders described circumstances where disruption affected the movement of livestock, food supplies, construction materials, community services, healthcare appointments and access to specialist contractors. Participants also highlighted wider impacts on community sustainability and population retention.

Unlike many mainland communities, island communities often have limited alternative transport options. Where disruption occurs, individuals, businesses and community organisations may face significantly higher costs, longer delays and fewer alternative routes. A number of stakeholders noted that disruption can have cumulative effects across entire island economies, affecting tourism, fisheries, aquaculture, haulage, agriculture, retail, cultural organisations and community services simultaneously.

The evidence also demonstrates that impacts differ between island communities themselves. Ferry network disruption has not been experienced uniformly across Scotland's islands. Previous analysis identified differing levels of disruption across routes and islands, with some communities facing sustained cancellation rates, while others experienced significant capacity constraints and reduced service reliability.

The engagement process also highlighted that island economies are characterised by features which are less common elsewhere in Scotland, including portfolio livelihoods, seasonal employment, reliance on visitor economies, volunteer-led organisations and community-owned enterprises. Stakeholders highlighted that these characteristics can increase vulnerability to transport disruption whilst also making it more difficult for some organisations to access traditional forms of support.

Is a full Island Communities Impact Assessment required?
On the basis of the available evidence, the Scottish Government considers that the effects of ferry disruption on island communities are significantly different from those experienced by other communities in Scotland. Furthermore, the impacts vary significantly between island communities depending on their connectivity, geography and exposure to disruption. The Islands Resilience Fund has been developed specifically in recognition of these differential impacts and is intended to mitigate some of the economic and community consequences arising from sustained ferry disruption.

The Scottish Government therefore concludes that the policy is likely to have a significantly different effect on island communities and that a full Island Communities Impact Assessment is required.

5. Island Communities Impact Assessment

The decision to introduce an Islands 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 gathered through previous funding rounds, independent evaluation and stakeholder engagement demonstrates that ferry disruption has had disproportionately greater impacts on many island communities than on mainland communities due to their reliance on ferry services for connectivity, trade, employment and access to services.

The Fund is therefore intended as a targeted intervention to mitigate some of these impacts and support the resilience of island businesses, organisations and communities.

Positive impacts
The Fund is expected to have a number of positive impacts for eligible island communities.

Firstly, it will provide direct financial support to businesses and organisations experiencing ongoing disruption arising from reduced ferry reliability and capacity constraints. This will help organisations manage increased operating costs, maintain trading activity and improve resilience during periods of continued uncertainty.

Secondly, the Fund is expected to support employment within island communities. Many island businesses operate within small and fragile labour markets where the loss of even a small number of jobs can have wider consequences for community sustainability. By helping organisations remain viable, the Fund is expected to contribute towards maintaining local employment opportunities and retaining economic activity within island communities.

Thirdly, stakeholder engagement highlighted the extent to which local businesses, community organisations and social enterprises contribute to wider community resilience. In many islands these organisations provide essential services, support community facilities and sustain local supply chains. As a result, support provided through the Fund is expected to generate benefits beyond the individual organisations receiving assistance.

The Fund also incorporates a number of changes intended to better reflect the realities of island economies. These include:

- clarification that fish catching and aquaculture businesses are eligible for support;
- extension of eligibility to include hauliers transporting goods and livestock;
- recognition of portfolio livelihoods by allowing eligible turnover from multiple activities to be aggregated; and
- reduced turnover thresholds for volunteer-led organisations.

These changes respond directly to issues identified through stakeholder engagement and are expected to improve access to support for organisations that may previously have been excluded despite experiencing significant impacts from ferry disruption.

Differential impacts between island communities
The evidence demonstrates that ferry disruption has not affected all island communities equally.

Some islands have experienced sustained levels of cancellation over a number of years, while others have experienced significant capacity constraints, timetable

reductions or wider operational disruption. More recent evidence also identifies increasing disruption affecting Harris and Scalpay.

The Fund therefore adopts a targeted approach, focusing support on those communities where evidence suggests impacts have been most significant. This means that some island communities will be eligible for support while others will not. Whilst this creates a differential impact between island communities, this approach is considered justified as it is based on available evidence, stakeholder feedback and the need to target limited resources where they are likely to have the greatest impact.

Potential negative impacts
The Scottish Government recognises that some businesses, organisations and communities affected by transport disruption will not be eligible for support through this Fund.

Stakeholder engagement identified a number of communities and sectors that believe they have been adversely affected by ferry disruption but may fall outside the scope of the Fund. This includes some mainland port communities and island areas not covered by the eligibility criteria.

There is therefore a risk that some organisations perceive the Fund as unfair or insufficiently broad in scope.

Similarly, whilst the Fund can provide short-term support, it cannot address the underlying causes of ferry disruption. Stakeholders consistently highlighted that reliable transport infrastructure remains fundamental to long-term island resilience.

6. Adjustments

A number of measures have been incorporated into the design of the Fund to mitigate potential negative impacts and improve accessibility.

These include:

- expanding eligibility to include additional island communities where evidence demonstrates increasing or sustained disruption, helping ensure support remains responsive to changing circumstances;
- clarifying eligibility for fish catching and aquaculture businesses to address issues identified through evaluation and stakeholder engagement which suggested some affected businesses may previously have believed they were ineligible;
- broadening eligibility for hauliers transporting non-perishable goods and livestock;
- reducing eligibility thresholds for to improve access for smaller organisations that provide important community services and contribute to the resilience of island communities;
- recognising portfolio livelihoods common within island economies; and
- maintaining a proportionate and accessible application process designed to minimise administrative burden on smaller organisations.

The Scottish Government considered stakeholder feedback suggesting that all island businesses and communities affected by disruption should be eligible for support. However, given the finite funding available, a universal approach would reduce the level of support available to those communities experiencing the greatest impacts. Ministers therefore adopted a targeted approach based on available evidence and stakeholder engagement to maximise the overall benefit of the Fund for island communities.

Monitoring and review
The Scottish Government will continue to work with Highlands and Islands Enterprise to monitor uptake, delivery and outcomes of the Fund. Feedback from applicants, stakeholders and island communities will be considered alongside evaluation evidence to understand the effectiveness of support and inform future policy development.

7. Conclusion

The Scottish Government considers that the Islands Resilience Fund will have an overall positive impact on eligible island communities. The Fund specifically recognises the significantly different effects that ferry disruption can have on island communities and seeks to mitigate some of the resulting economic and social impacts.

Whilst not all affected communities can be supported through this intervention, the Fund has been designed to target available resources towards those island communities experiencing the most significant and sustained impacts of ferry disruption while incorporating a number of improvements informed by stakeholder engagement and previous evaluation findings.

This Island Communities Impact Assessment has been approved by Anna Densham, Deputy Director for Land Reform, Rural and Islands Policy.

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