June 2026

Islands Business Resilience Fund Evaluation

Final Report

SQW

Contents

Contact:
Caitlin Richardson
Tel: 0131 225 4007
email: crichardson@sqw.co.uk

Approved by:
John Nolan
Director
Date: 23/06/2026

Executive Summary

1. The Islands Business Resilience Fund (IBRF) was a £4.4m Scottish Government initiative to support the resilience of island businesses affected by ongoing ferry disruption. It was launched in July 2025, and delivered by Highlands and Islands Enterprise (HIE) over a nine-month period. The fund provided working capital grants to 444 businesses across 19 islands, primarily in the visitor economy and perishable goods sector.

2. **Overall, the evaluation confirmed a clear and pressing need for intervention**. Ferry disruption has had a significant or critical impact on many island businesses, reducing footfall, disrupting supply chains, and increasing costs. However, the fund is widely viewed as a short-term “sticking plaster”, with long-term resilience dependent on resolving ferry reliability issues.

3. **The design of the IBRF was broadly appropriate given the overall pot of funding available, however there were notable limitations.** The IBRF targeted sectors that were most immediately affected by ferry disruption, and focused on the worst-impacted islands. However, some stakeholders highlighted that eligibility criteria were too restrictive - particularly sector scope, eligible islands, and turnover thresholds - excluding some significantly affected businesses. In terms of the size of grant, they were often insufficient to support long-term resilience for larger businesses.

4. **The IBRF was delivered effectively, under tight timescales.** HIE’s established grant delivery processes, simple application process, and use of local networks supported rapid uptake and high levels of satisfaction among beneficiaries. Nevertheless, there were areas for improvement, including clearer communication of eligibility and funding levels and enhanced non-digital marketing.

5. **The fund helped to improve the resilience of island businesses and safeguard operations.** In particular, 78% of beneficiary survey respondents reported improved resilience, whilst 62% reported that it had safeguarded jobs and turnover (n=118). Overall, high level impact estimates suggest that the fund has helped to safeguard 666 net jobs and £5.9m in net turnover, and create 17 jobs and an additional £306k turnover. The primary outcome of the fund has been maintaining existing activity rather than generating growth, reflecting the emergency nature of the intervention The fund demonstrates strong additionality, with around half of beneficiaries reporting that outcomes would not have occurred without support and very few reporting deadweight.

6. **Whilst the IBRF has delivered important short-term benefits, ferry disruption remains the dominant threat to island business resilience. Sustainable resilience will require: improved ferry reliability; complementary investment in infrastructure and transport; targeted marketing to rebuild visitor demand; and broader action on structural challenges such as housing availability, skills, and business costs.**

Islands Business Resilience Fund Evaluation: Key Findings

FUND DELIVERY

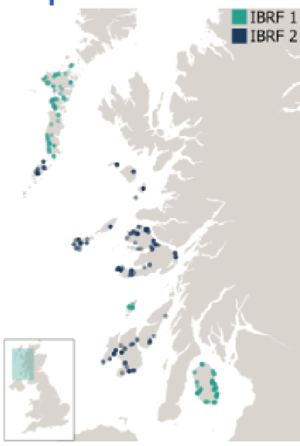
£4.38m total grant funding

£9,900 average grant per business

444 businesses supported

- 5% perishable goods businesses
- 95% visitor economy businesses
- 77% micro businesses
- 47% female-led businesses

Map of beneficiaries



IBRF STRENGTHS

- Targeted funding for most affected
- Effective outreach
- Simple application process
- Established grant delivery model
- Rapid grant deployment
- Most businesses would not have secured funding elsewhere

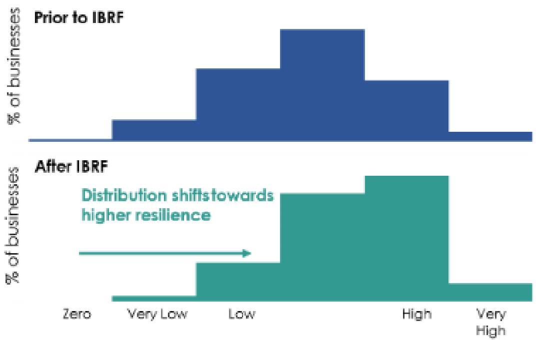
IBRF CHALLENGES

- Short set up/delivery timeframe
- Initial use of ferry cancellation data to determine islands masked some disruption
- Lack of clarity on amount of funding available to businesses
- Eligibility criteria excluded some badly affected businesses

OUTCOMES

Improved resilience

When asked about their level of resilience...



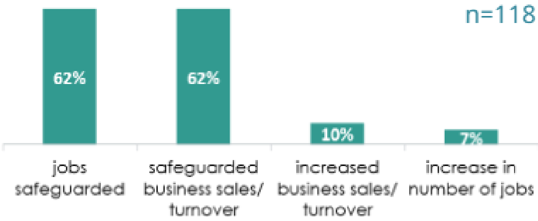
78% of businesses reported that the fund had contributed to improved resilience

Nearly half of beneficiaries thought that benefits would not have happened without the fund (48%)

A further 27% reported they would have occurred more slowly or to a lower scale

Safeguarded turnover and jobs

Majority of businesses maintained their operations, with a minority achieving growth...



Estimated safeguarding effects:

- **666 net jobs**
- **£5.9m net turnover**

Other benefits associated

- **Community services sustained**
- **Supply chain benefits**
- **Sense of recognition**

1. Introduction

1.1 In March 2026, SQW was commissioned by Highlands and Islands Enterprise (HIE) to undertake a process and impact evaluation of the Islands Business Resilience Fund (IBRF). The IBRF was announced by the Scottish Government in April 2025 and launched by HIE in July that year. A total funding package of £4.4m was allocated to provide working capital grants to support businesses and social enterprises on west coast islands that have been adversely affected by ferry service disruptions in recent years.

1.2 The funding was targeted at businesses operating in the visitor economy and the perishable goods sector. Grants were delivered over three phases: an initial call in September 2025, distributed to 216 businesses; a second call in January 2026 with a further 228 beneficiaries; then additional 'top-up' funding was provided in March 2026 to the initial group of beneficiaries.

Study objectives

1.3 Following the closure of the fund at the end of March 2026, HIE sought to understand how effectively the fund operated in practice, the benefits achieved to date, and lessons to inform future policy delivery. In this context, the key research questions for the evaluation are set out in Table 1-1.

Table 1-1: Evaluation research questions

Process evaluation	
RQ1	How was the funding distributed across locations, business sectors, sizes, turnover bands, and business types?
RQ2	Was the design of the Fund appropriate to meet its intended objectives (e.g. in relation to the level of funding)?
RQ3	How effective was programme delivery? Specifically focusing on: programme reach including marketing and stakeholder engagement activities and application process, including accessibility and timescales
RQ4	What are the key lessons in terms of the design and delivery of the Fund that could inform future support design?
Impact evaluation	
RQ5	How was the funding used by supported businesses?
RQ6	What is the impact of the Fund for the businesses receiving the grants?
RQ7	To what extent has the Fund achieved its intended objectives?
RQ8	Are there any wider socio-economic impacts of the Fund?

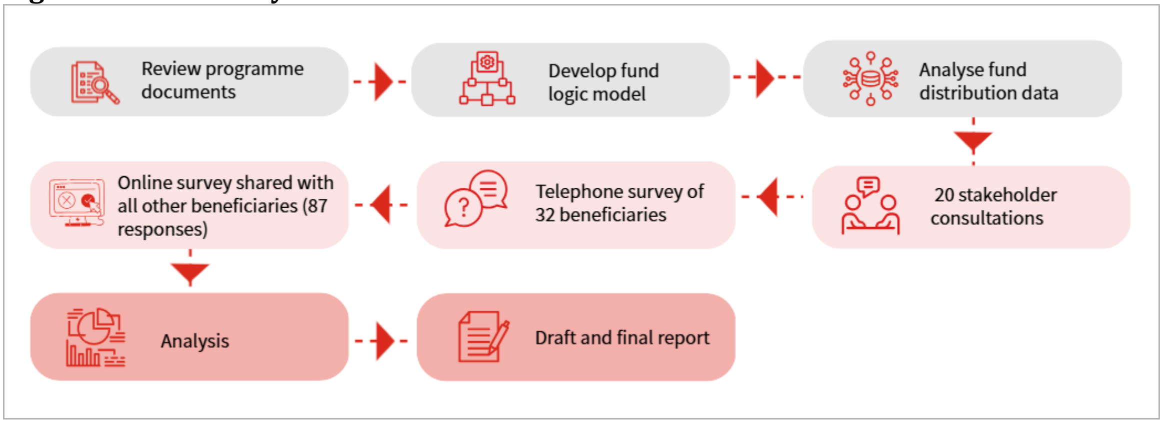
Source: SQW

Research methods

1.4 To answer these questions, the evaluation adopted a theory-based approach, consistent with the Magenta Book. Specifically, it applied Contribution Analysis to assess the extent to which any observed benefits could be reasonably attributed to the IBRF, relative to other influences.

1.5 The evaluation was carried out between March and June 2026 and included a review of programme documentation and monitoring data, 20 stakeholder consultations, a telephone survey of 32 beneficiaries; and an online survey shared with all other beneficiaries (87 responses). The key stages of the research are set out below and further detail on the stakeholders consulted is available in Annex A.

Figure 1-1: Summary of evaluation research methods



Source: SQW

1.6 The following issues need to be considered when reviewing the evaluation findings:

- **Ongoing ferry issues:** The IBRF was intended to be a one-off grant to improve resilience of island businesses that had been adversely affected by ferry disruption. This was based on the assumption that the ferry situation would improve in the short to medium term. However, in the 12 months since the launch of the fund, the ferry disruption has continued. Positive effects of the fund may therefore have been largely offset by the wider situation.

- **Timing:** The evaluation was carried out immediately after the final grant payments to businesses. For some businesses, insufficient time may have passed for outcomes to be realised. Research tools were therefore designed to capture both achieved and *expected* outcomes.

- **Self-reported evidence on outcomes and additionality:** The approach taken to assess outcomes and additionality drew on self-reported data from beneficiaries. This approach was considered appropriate based on the size and nature of the beneficiary population, the island-specific context (and lack of appropriate comparison group), and the scale of the grant funding available. However, it relies on participants' own perceptions and recollections which can sometimes be biased or incomplete.

1.7 The remainder of this report is structured as follows:

- **Section 2: Fund overview** presents the logic model for the IBRF, including a summary of the rationale, objectives, activities, and intended outputs, outcomes and impacts.
- **Section 3: Fund delivery** outlines aspects of the fund design and presents data on the distribution of the fund across eligible islands and characteristics of the beneficiary population.
- **Section 4: Process review** considers the effectiveness of the fund design, management and delivery.
- **Section 5: Fund outcomes** provides evidence on what the fund was used for, the benefits achieved, factors that enabled/hindered outcomes, and the additionality of reported benefits. It also presents evidence on future challenges for island businesses and feedback on further support requirements.
- **Section 6: Conclusions and lessons learned** draws together the findings of the evaluation and key learnings.

1.8 The main report is supported by three Annexes: a list of consultees (Annex A) ; detailed survey results including a comparison of the beneficiary population vs the survey population (Annex B); and an analysis of businesses eligible to apply to the Fund using The Data City (Annex C).

2. Overview of the IBRF

2.1 This section provides an overview of the IBRF. This includes setting out the strategic context, rationale and objectives of the fund, before describing the logic model and theory of change.

Context, rationale and objectives

2.2 Ferry services across Scotland's Highlands and Islands provide vital transport links for communities and businesses. However, in recent years the network has experienced sustained disruption due to a combination of ageing vessels and infrastructure and delays procuring replacements, compounded by complex governance arrangements. This has resulted in a pattern of increased cancellations and reductions in service or capacity across many west coast routes. As a result, island businesses have experienced operational and financial challenges, primarily due to reduced footfall and the unreliable transportation of goods to and from the mainland.

2.3 Recognising the substantial disruption to businesses, the Scottish Government announced the IBRF in April 2025. Its overarching aim was to support the resilience of SMEs and social enterprises based in the islands most affected by the ferry disruption. This included businesses operating in the perishable goods sector and the visitor economy, across islands identified by Scottish Government and HIE.

Logic Model

2.4 A logic model for the fund is provided in Figure 2-1. In terms of inputs, the IBRF was allocated £4.4m of Scottish Government funding. Alongside the financial contribution from the Scottish Government, a key input was HIE staff time to administer and manage the fund. This was funded through HIE's core operating budget. The inputs were used to deliver activities which involved fund scoping and development, carried out by HIE and Scottish Government. HIE then led on promotion and marketing and fund delivery from July 2025 to March 2026, which included: developing the application process, assessing applications, and payment to businesses. These activities were expected to generate outputs including organisations supported by the fund (anticipated to be c.500) and the full allocation of all grant funding.

2.5 In terms of outcomes, the fund was expected to generate a range of direct benefits to the supported businesses, including: improved resilience, maintenance of business operations, and retention of jobs. In some cases, the fund was also expected to support business growth. Wider anticipated outcomes include improved awareness of business support amongst beneficiaries, and societal benefits resulting from community services being maintained. In the longer-term, the fund was expected to generate impacts including increased business survival rates, economic growth, and the continued viability of critical island industries.

Figure 2-1: IBRF Logic Model

Rationale

Scotland's west coast islands depend on reliable ferry services to support business activity. However, technical problems on vessels and the need for extended periods in dry dock has resulted in increased disruption to ferry services in recent years. The ferries situation created operational and financial challenges for many island businesses, which are particularly acute for tourism and perishable goods businesses. The former has suffered in the short-term from reduced footfall and longer term it faces reduced confidence in the ferry network. The latter has been unable to reliably move goods in a timely fashion resulting in rapid deteriation and loss of income. The Islands Business Resilience Fund was established to support the resilience of SME organisations operating in the visitor economy and perishable goods sector across islands that have faced prolonged withdrawal and/or disruption of ferry services from mainland Scotland.

Inputs	Activities	Outputs	Outcomes	Impact
£4.4m funding allocation from the Scottish Government to be delivered Jul-Mar FY25/26 HIE staff time to adminster and manage the fund	• Fund scoping and development • Marketing • Develop application processes • Assess Fund applications including due diligence • Payment to clients (£4k to £35k) • Evaluation	• No. eligible applications • No. and type of organisation supported (anticipated to be c.500) • Total grant funding distributed	**Direct benefits:** • Improved resilience of businesses through better liquidity • Business operations maintained • Negative economic impact of ferry disruption partially mitigated including jobs retained • Business growth supported incl. anticipated 12 jobs created in the Highlands and Islands and GVA of £508k **Wider benefits:** • Improved awareness of business support • Community services sustained	• Increased business survival rates • Economic growth in the island communities • Continued viability of critical island industries

Assumptions:

1. Businesses are aware of the fund and have the capacity to apply for it.
2. There are sufficient high-quality funding applications from businesses that meet the eligibility criteria (e.g. SMEs on the qualifying islands).
3. HIE has the internal capacity to administer the funds within the required timescales (by the end of March 2026)
4. Business invest some of the funds in ways that will improve their resilience e.g. wages to retain staff, key overheads such as rent and utilities, storage solutions for delayed goods, improved booking systems, stock management improvements.
5. The level of funding is sufficient for businesses to make changes or purchase things that improve resilience.
6. The wider environment (including ferry disruptions) remain stable enough for businesses to be able to improve their resilience.

Source: SQW

3. Fund delivery

3.1 This section provides an overview of the delivery of the IBRF, including the eligibility criteria and how the funding was distributed across locations, business sectors, sizes, turnover bands, and business types.

Eligibility criteria

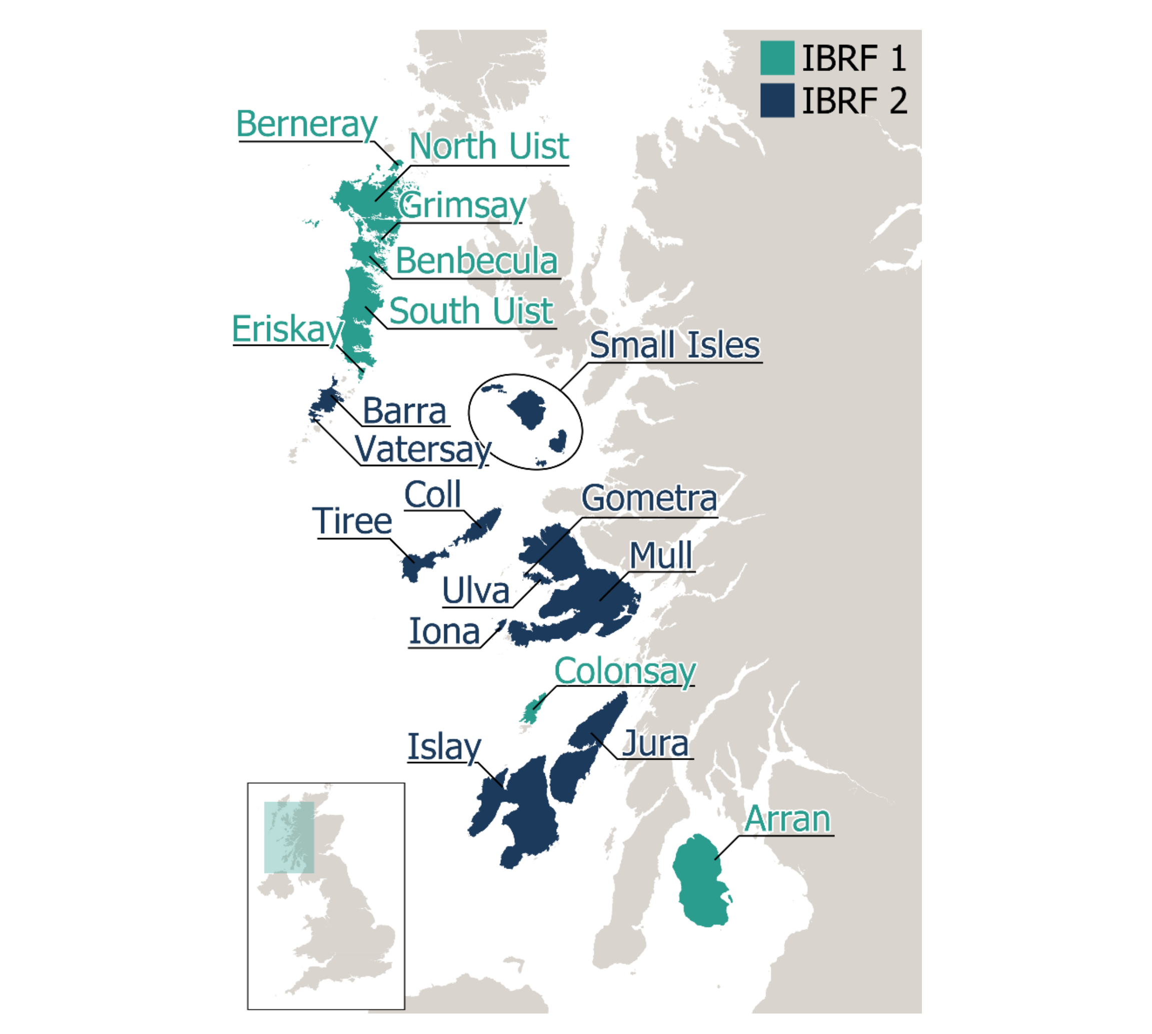
3.2 As introduced in Section 2, the IBRF was targeted at businesses in the visitor economy which had suffered from reduced footfall and perishable goods sector which had incurred losses from not being able to move goods to and from the mainland. Analysis carried out by HIE and the Scottish Government[1] identified the following priority sectors: retail outlets, hotels, cafes/restaurants, visitor attractions, transport companies, tour operators, manufacturers of perishable goods, and transport/storage of perishable goods.

3.3 The funding was also targeted at islands which had been worst affected by ferry disruption. Using data available from Transport Scotland, HIE and the Scottish Government decided to focus the fund on islands that had experienced cancellation rates of scheduled sailings of 15% or more over the past three contract years prior to the fund launch. This analysis resulted in eight islands being selected for the IBRF: Arran, South Uist, Colonsay, North Uist, Eriskay, Benbecula, Berneray, and Grimsay. The fund was initially opened to these islands in July 2025.

3.4 Following lower than anticipated uptake, the number of eligible islands was expanded to include those that had experienced cancellation rates of 10% or more, bringing Coll, Tiree and The Small Isles (Eigg, Rum, Muck and Canna) into scope. In addition, in response to stakeholder feedback that cancellation figures alone mask other types of disruption, the fund was extended to Barra, Vatersay, Islay, Jura, Mull, Iona, and Ulva. These islands were considered to have been adversely affected by other types of disruption, primarily capacity constraints resulting from vessel changes. Figure 3-1 shows the islands eligible for the IBRF.

[1] Scottish Government (2025) IBRF: Island Communities Impact Assessment (Updated December 2025)

Figure 3-1: Map of all eligible islands for IBRF support



Source: SQW Analysis of HIE monitoring data.
Boundaries source: Office for National Statistics licensed under the Open Government Licence v.3.0
Contains OS data © Crown copyright and database right 2026

3.5 Additional eligibility criteria for the fund stated that organisations must[2]:

- Have been trading on an eligible island on or before 1 April 2024 (12-month trading accounts required)
- Have annual turnover of at least £22,000 in their last accounting period (i.e. approved annual accounts or, for self-employed, income and expenditure as declared to HMRC in January 2025).
- Generate 50% or more of turnover from eligible sectors on eligible islands.[3]
- Be a small or medium enterprise (0–249 employees)

[2] HIE (2026) IBRF Tender Specification, Unpublished
[3] Self-employed applicants' main income (at least 50%) should come from trading in the eligible sectors. Online sales will be classed as off island sales unless the goods sold online are perishable e.g. fish

- Have more than 50% of staff based on eligible islands
- Intend to continue trading in eligible sectors for the next 12 months
- Not be subject to insolvency proceedings.
- Be able to complete the HIE declaration on Sanctions

Distribution of funding

3.6 The amount of funding available to businesses was dependent on business size, based on the number of FTEs. HIE aimed to allocate all of the grant funding in one round. It therefore estimated how many eligible businesses were on the target islands in selected sectors using a range of data sources including the Scottish Annual Business Statistics.

3.7 Due to lower than anticipated demand, the IBRF was delivered in two rounds and then a further uplift payment to all IBRF1 recipients. In total, just under £4.4m was spent across both rounds and the uplift payments (£4.38m). 31% of this was spent in IBRF1 (£1.3m), 28% in IBRF2 (£1.2m) and the remaining 41% was uplift payments (£1.8m). Investments were made into 444 unique businesses across IBRF1 and IBRF2, with data available for 443 of these[4]. Details of their characteristics are presented in the sub-sections below.

Geographic distribution

3.8 Across both rounds of the IBRF, 17 of the 19 eligible islands (or island groups) had businesses receiving funds (no investments were made into any businesses located on Vatersay or Gometra). The number of grants per island varied from 125 on Arran to one on Ulva. Over a quarter of the number of businesses supported (28%) and the amount of funding (29%) went to businesses on Arran. Full details can be found below in Table 3-1. A map of beneficiary postcodes is shown in Figure 3-2.

Table 3-1: Businesses supported and expenditure, by Island

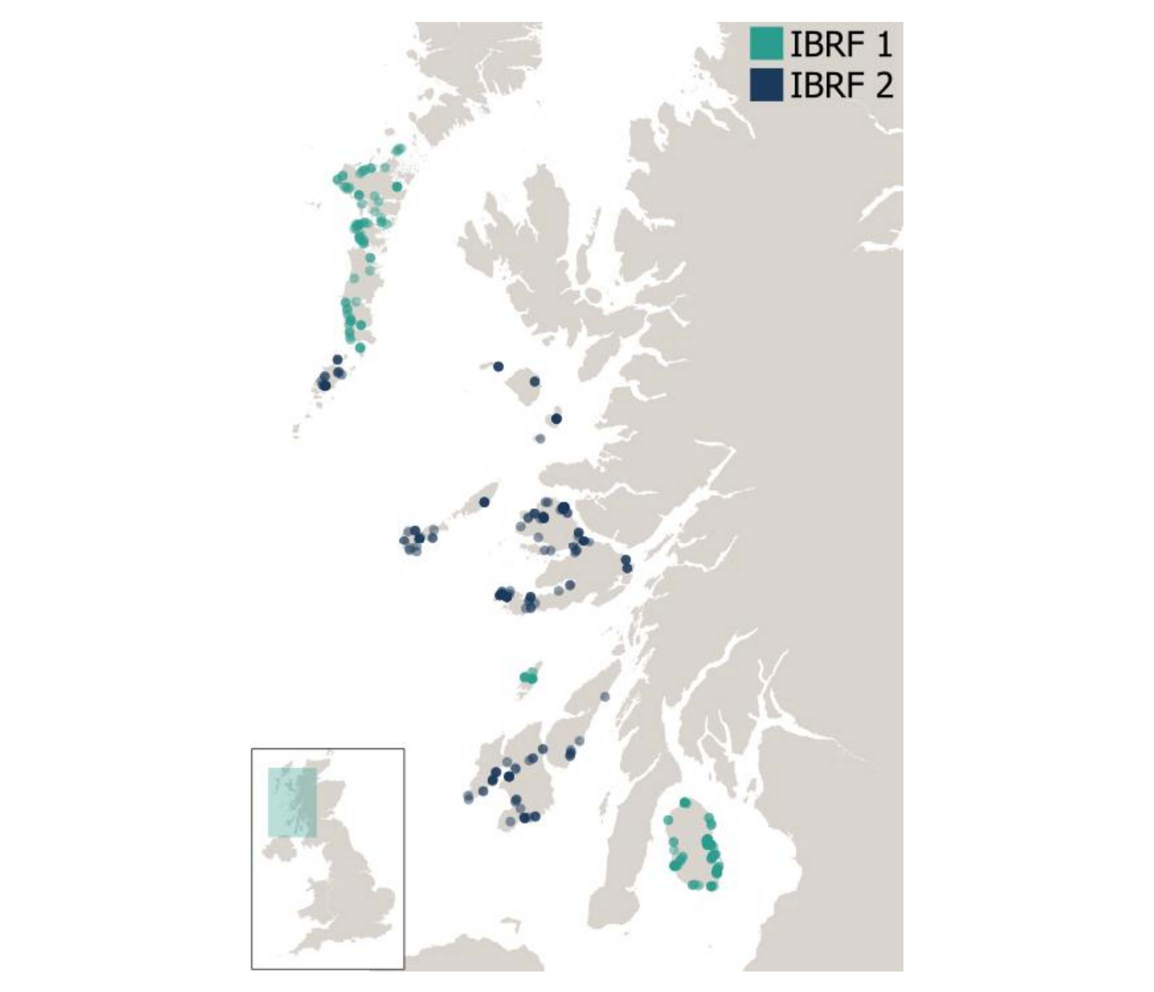
Island	Number of businesses supported	Proportion of all business supported	Expenditure	Proportion of total expenditure
Arran	125	28%	£1,290,280	29%
Mull	106	24%	£989,156	23%
Islay	42	9%	£399,002	9%
North Uist	31	7%	£342,102	8%
Benbecula	20	5%	£228,956	5%

[4] One of the grant awards was returned as it came to light that the company was sold and therefore ineligible

Island	Number of businesses supported	Proportion of all business supported	Expenditure	Proportion of total expenditure
South Uist	20	5%	£246,526	6%
Tiree	20	5%	£136,012	3%
Barra	19	4%	£242,694	6%
Small Isles	14	3%	£77,196	2%
Iona	13	3%	£178,442	4%
Colonsay	11	2%	£86,386	2%
Jura	8	2%	£44,112	1%
Coll	5	1%	£57,056	1%
Eriskay	3	1%	£29,408	1%
Grimsay	3	1%	£16,542	0%
Berneray	2	0%	£11,028	0%
Ulva	1	0%	£5,514	0%
Vatersay	-	0%	-	0%
Gometra	-	0%	-	0%

Source: SQW Analysis of HIE IBRF monitoring data

Figure 3-2: Postcode of IBRF recipients (n = 443)



Source: SQW Analysis of IBRF monitoring data
Note: Recipient locations are plotted at the centre of their postcode
Boundaries source: Office for National Statistics licensed under the Open Government Licence v.3.0
Contains OS data © Crown copyright and database right 2026.

3.9 As introduced earlier in this section, prior to the launch of the fund, HIE used a range of data sources including Scottish Annual Business Statistics to estimate the number of businesses in eligible sectors on the in-scope islands. In the initial Options Paper to Scottish Government, HIE highlighted the challenges associated with determining the number of businesses eligible for support. Notably, given the lack of island-level data, the approach had to apply island group, local authority and national ratios to determine the number of registered and unregistered businesses, sectors of businesses and size band of businesses to each individual island. In addition, SIC codes are not an exact match to the fund eligibility criteria, and there are other elements of the eligibility criteria (e.g. proportion of revenue generated on-island) that are impossible to account for in the data.

3.10 Table 3-2 shows the number of businesses supported on each island as a proportion of the HIE estimate of the potential number of businesses in eligible sectors. Based on the four islands with the largest number of eligible businesses, the uptake has been highest in Arran (62%) and Mull (43%) but significantly lower in South Uist (20%) and Islay (16%). These variations in uptake possibly indicate different levels of awareness of the fund across the islands.

Table 3-2: Businesses supported, compared to HIE estimates of eligible businesses

	Number of businesses supported	HIE estimate of eligible businesses	Proportion of HIE estimate of eligible business supported
Arran	125	201	62%
Barra	19	74	26%
Benbecula	20	78	26%
Berneray	2	8	25%
Coll	5	11	45%
Colonsay	11	10	110%
Eriskay	3	10	30%
Grimsay	3	10	30%
Iona	13	-	-
Islay	42	256	16%
Jura	8	20	40%
Mull	106	249	43%
North Uist	31	78	40%
Small Isles	14	11	122%
South Uist	20	100	20%
Tiree	20	42	48%
Ulva	1	-	-
Vatersay	-	-	-

Source: SQW Analysis of HIE IBRF monitoring data

3.11 Annex C provides details of SQW estimates of the number of registered businesses on each island, based on data downloaded from The Data City platform. The results are broadly similar to HIE's estimates on the number of registered businesses.

Beneficiary sectors

3.12 All beneficiaries in the monitoring data were classified (using SIC codes) into one of two broad sectors: 'visitor economy' or 'perishable goods'. The majority of supported business (95%) operated in the visitor economy, equating to 92% of the grant funding. Perishable goods businesses received a slightly higher amount of funding on average, indicating that they were larger businesses.

Table 3-3: Businesses supported and expenditure, by broad sector

	Number of businesses supported	Proportion of all business supported	Expenditure	Proportion of total expenditure	Average grant per business
Visitor economy	421	95%	£4,021,690	92%	£9,575
Perishable goods	23	5%	£358,722	8%	£15,597

Source: SQW Analysis of HIE IBRF monitoring data

Size of business

3.13 Three quarters of businesses supported (76%) had under five employees. As shown in Table 3-4, the proportion of businesses supported and the total proportion of expenditure are weakly correlated – this is because under the IBRF larger businesses received more funding.

Table 3-4: Businesses supported and expenditure, by employment size band

	Number of businesses supported	Proportion of all business supported	Expenditure	Proportion of total expenditure	Average per business
0 - 4 emp	341	77%	£1,875,246	43%	£5,499
5 - 9 emp	57	13%	£1,030,900	24%	£18,086
10 - 14 emp	19	4%	£523,830	12%	£27,570
15 - 49 emp	26	6%	£920,950	21%	£35,421
50 - 249 emp	1	<1%	£35,000	1%	£35,000
Total	444	100%	£4,385,926	100%	£9,878

Source: SQW Analysis of HIE IBRF monitoring data.

Female-led businesses

3.14 Just under half of all businesses supported (47%) are female-led. This is far higher than proportion of all businesses that are female run in Scotland in 2024 (18%[5]).

[5] The Gender Index (2025) Driving positive change through data p. 17. Note: the definition of 'female-led' was not provided in the HIE data so may vary from that used in this report.

Table 3-5: Businesses supported and expenditure, by female-led status

	Number of businesses supported	Proportion of all business supported	Expenditure	Proportion of total expenditure
Female-led	209	47%	£2,031,826	46%
Not female-led	234	53%	£2,348,586	54%

Source: SQW Analysis of HIE IBRF monitoring data. Note: data missing for one firm.

4. Process review

4.1 This section reviews how effectively the IBRF was designed, implemented, and delivered. It draws on evidence from stakeholder consultations and the beneficiary survey.

Fund rationale

4.2 **The challenges facing island businesses as a result of the ferry disruption align with and confirm the rationale for the fund.** Island businesses are highly dependent on reliable ferry links with the mainland for the transportation of goods and people. Disruption to this vital public service has caused significant adverse effects to many businesses. Although businesses have taken steps to improve their resilience, many are unable or unwilling to access other forms of finance and so the IBRF was seen as an important source of funding.

4.3 **However, confirmation of the rationale is strongly caveated on the basis that the fund is a short-term solution**, often described by consultees as a 'sticking plaster'. Beneficiaries and stakeholders agreed that the fund provided a welcome boost to businesses during a challenging time, but that the core focus of the Scottish Government must be on resolving the ongoing ferry issues which are the underlying cause of the issues described above. Without addressing this, further grant funding will only continue to 'prop up' businesses that would be unviable without reliable ferry links.

4.4 The majority of businesses reported that the ferry disruption has had a 'significant' or 'critical' impact on their business (95/119, 80%). Specifically, 16 beneficiaries (13%) reported that their business was at risk of closure because of the disruption, whilst 79 (66%) had reduced operations, turnover, and/or headcount. This was backed up by qualitative feedback, which cited:

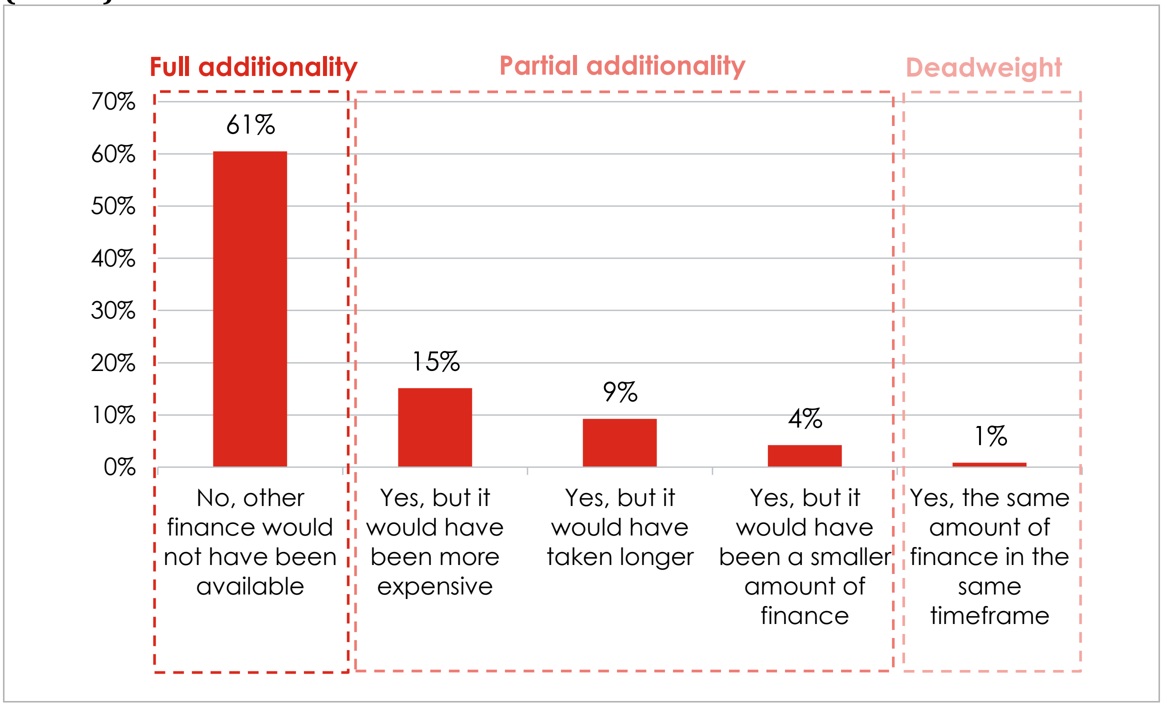
- **Reduced footfall** adversely affecting businesses in the visitor economy. This was a direct result of ferry cancellations and capacity constraints, which have prevented people from reaching the islands. In addition, the widespread negative publicity around the ferry crisis, and associated loss in confidence amongst businesses (e.g. tour operators) and individuals to plan trips to the islands, has reduced the number of bookings.

- **Challenges transporting fresh produce and livestock** adversely affecting island-based producers. For example, fishing businesses reported loss of fresh produce which could not be moved off the island, whilst a dairy producer reported challenges moving livestock. In addition to the immediate impact of cancellations, fresh produce businesses noted that the unpredictable nature of sailing schedules made planning difficult.

4.5 **According to stakeholders, island businesses had taken a variety of measures to improve their resilience prior to the launch of the fund, and continued in parallel with the fund**. This included reducing their opening hours, charging cancellation fees, and using private charter to move people or goods instead of relying on CalMac services. However, stakeholders reflected that **most businesses would not have been able to access alternative sources of finance**, such as bank loans, to improve their resilience. Many island businesses are micro or small in size, and the sectors targeted are typically not favoured by lenders. In addition, businesses may already have debt accrued during Covid, and so would have been unwilling or unable to secure further finance.

4.6 The strong finance additionality of IBRF was confirmed by the beneficiary survey, with 72 businesses (61%) stating that other finance would not have been available to them (Figure 4-1). Most other businesses thought that alternative sources of finance would have been smaller in scale, taken longer to secure, or cost more. Other sources of finance mentioned included bank loans and borrowing from friends and family.

Figure 4-1: Beneficiary survey results - Without this fund, would you have been able to find an alternative source of finance for the same type of resilience support? (n=119)



Source: SQW analysis of beneficiary survey
Note: excludes 'Don't know' responses (13%, 16)
Note: respondents that did not select 'no, other finance would not have been available' or 'yes, the same amount of finance in the same timeframe' or 'don't know' could select multiple answers from the remaining options..

Fund design

4.7 There was mixed feedback regarding the suitability of the fund design, particularly in relation to target islands, eligible sectors, and the amount of funding available to businesses. Each aspect of fund design is discussed in turn below.

Target islands

4.8 As outlined in Section 3, the fund was initially open to a narrow group of eight islands that had been worst affected by ferry disruption, according to Transport Scotland cancellation data (15% cancellation rate). Following lower than anticipated uptake, the fund was widened to include islands that had experienced a slightly lower cancellation rate (10%) or faced significant disruption through reduced capacity. **Feedback from stakeholders suggests that widening the geographic reach of the fund was the right decision.** Indeed, three stakeholders commented that with this extended coverage the IBRF had effectively targeted the right islands to maximise impact with the limited pot of funding available.

4.9 **However, a further three stakeholders reflected that the fund did not extend widely enough.** One consultee pointed out that basing the decision primarily on cancellation data was fundamentally flawed because it masks other types of disruption (e.g. timetable changes and capacity constraints). In addition, cancellation data does not account for the interconnected nature of particular groups of islands, such as the Outer Hebrides, which rely on a fully functioning ferry system across all islands to attract visitors who tend to make a journey up or down the island chain. As a result, there are certain islands (e.g. Harris), that have experienced reduced visitor numbers but were not eligible for the IBRF. In addition, one stakeholder highlighted that key port towns on the mainland (e.g. Mallaig) had also been adversely affected by the disruption since people were not staying there on route to the islands, and islanders were less likely to visit the mainland for shopping.

4.10 Most stakeholders agreed that any future intervention should base funding allocation on a combination of quantitative data (including capacity reduction and timetable changes as well as cancellation data) *and* qualitative data gathered through community and stakeholder consultation. Several argued that a future fund should in fact be open to all west coast islands on the basis that they have all been adversely affected by the negative press around the ferries.

Eligible sectors

4.11 **Stakeholder feedback suggests that the sector scope of the IBRF was too narrow and did not reflect the systemic nature of ferry disruption across island economies.** As one stakeholder noted, "*you wouldn't find a business that wasn't touched by the impact of the ferry disruption*". For example, one consultee cited an island-based construction company that worked across other islands and the west coast mainland. It had faced severe disruption and escalating costs moving materials and workers to different sites, but was not eligible to apply for the IBRF. Similar concerns were raised for manufacturing and non-perishable goods businesses, which also depend on reliable ferry services to maintain operations. Several stakeholders emphasised that sector boundaries were often arbitrary in practice, with many businesses operating hybrid or seasonal models that did not neatly fit eligibility criteria.

4.12 **Conversely, two stakeholders specifically noted that the fund prioritised the correct sectors**. In their view, both perishable goods and tourism had experienced a visible and immediate impact from the ferry disruption, and that there had to be "*some boundaries and prioritisation*" given limited resources.

Other eligibility criteria

4.13 **There was consistent feedback that other eligibility criteria - particularly around turnover thresholds and definitions of "on-island" activity - were overly restrictive and excluded a number of businesses that had been significantly impacted**. Several stakeholders highlighted that the minimum turnover threshold (£22k) prevented smaller or seasonal businesses from applying, including B&Bs, campsites, community organisations and micro-enterprises that form a core part of island economies.

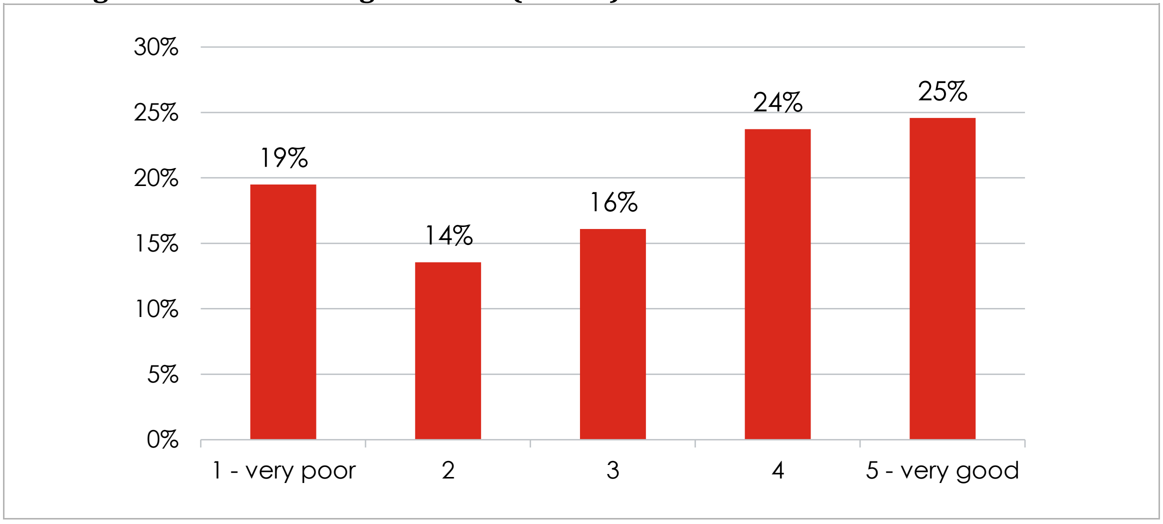
4.14 Consultees noted that some businesses had fallen below the threshold in the past year precisely because of ferry disruption, creating a circular issue where those most affected were rendered ineligible. There were also concerns about how different business structures interacted with the eligibility criteria, with individuals operating portfolio careers or multiple small income streams often excluded despite experiencing real financial impacts.

Amount of funding

4.15 **Views varied on whether the amount of funding was appropriate, given the constraints of the available budget.** Across both stakeholders and beneficiaries, the fund was described as a "*gesture*" or "*sticking plaster*", indicating that whilst payments were helpful in easing short -term cashflow pressures, they were not large enough to have a material impact on long-term resilience. At the lower end of the funding (initial grant of £3k topped up to £5.5k), grants were seen as potentially meaningful for micro-businesses, where even a modest grant could help to cover immediate costs or sustain operations for a short period. However, for larger businesses, the capped maximum grant of £35k was widely viewed as insignificant relative to the scale of the disruption faced. That said, it was recognised that with an overall fund size of £4.4m, the IBRF would not have been able to award larger sums without significantly reducing the breadth of businesses supported.

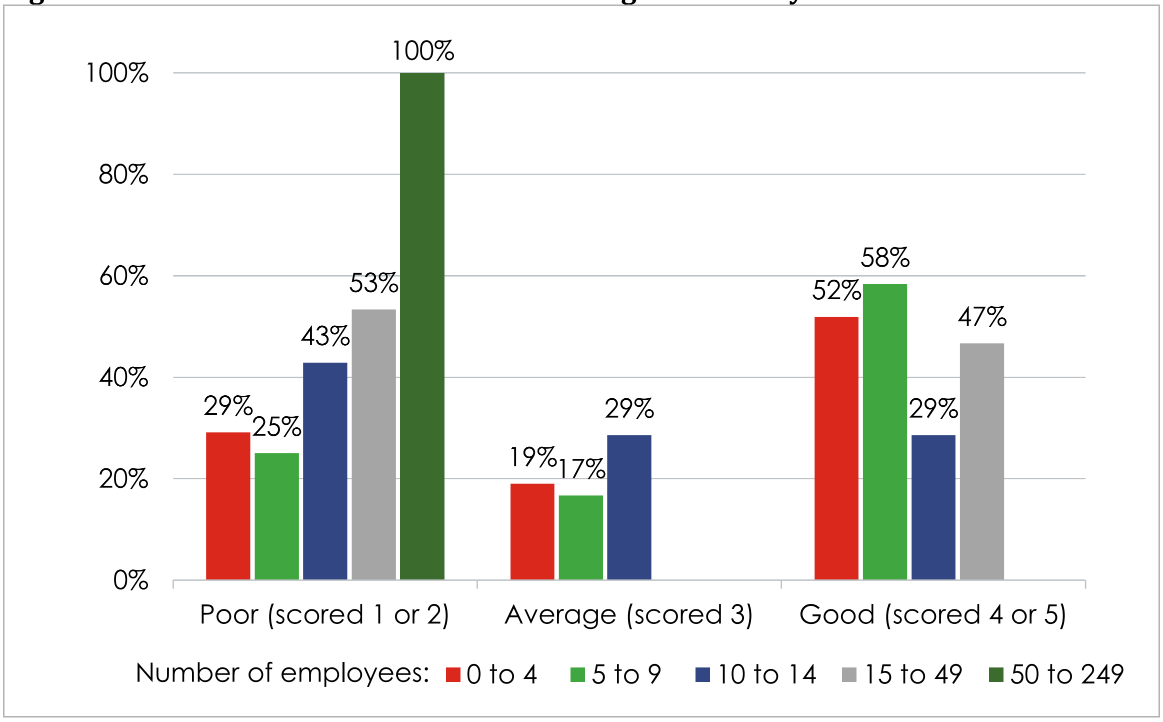
4.16 **This was backed up by the beneficiary survey, which also presented mixed feedback on the amount of funding available**. Overall, 19% of beneficiaries thought that the amount of funding available was 'very poor', and a similar proportion (25%) thought that the amount of funding available was 'very good' (Figure 4-2). Breaking the responses down by business size suggests that, on the whole, smaller businesses were slightly more satisfied with the amount of funding available (Figure 4-3).

Figure 4-2: On a scale of 1-5, how would you rate the following aspects of the grant funding: Amount of funding available (n=118)



Source: SQW analysis of beneficiary survey
Note: 'Don't know' response represented 3% of answers. One survey respondent left this question blank

Figure 4-3: Satisfaction with amount of funding available by business size



Source: SQW analysis of beneficiary survey
Note: 'Don't know' response represented 3% of answers. One survey respondent left this question blank, and there is no business size data available for another.
The sample size (n) per business size is as follows: 0 to 4 employees, n=79; 5 to 9 employees n=12; 10 to 14 employees, n=7; 15 to 49 employees, n=15; 50 to 249 employees, n=1.

4.17 **There was a lack of clarity amongst businesses and stakeholders regarding *how* the amount of funding was determined.** HIE confirmed that funding allocation was based on the size of business in terms of number of employees, but that this was not publicised to businesses. Stakeholders and beneficiaries would have appreciated more clarity around how the funding bands would be determined, prior to the application. Moreover, although the IBRF was praised by stakeholders for not requiring businesses to demonstrate the extent of their losses from the ferry situation, five beneficiaries noted that the amount of funding should have been weighted by the level of impact. For example, one beneficiary noted:

"More money should go to businesses most affected - the amount of funding should not be determined by size of business and turnover. They need to offer more money and they need to compensate those most affected" ***IBRF Beneficiary***

Telephone survey respondents who were dissatisfied with the amount of funding available to them were asked to explain what an appropriate level of funding for their business would have been. This varied substantially from "*a few hundred pounds*" to millions ("*the whole size of the fund*"), depending on the extent of losses experienced by each business.

4.18 Overall, the number of applications were less than HIE and Scottish Government had estimated that they would receive for IBRF. The initial decision on how much funding could be allocated per business was therefore too low.[6] IBRF1 applicants were therefore eligible for the top-up funding, to ensure all of the money was spent. Feedback from beneficiaries suggests that this 'two tranche' delivery made it difficult for businesses to plan effectively:

"I received two payments - Why? The fund was extended by a month, other islands were included - was the fund undersubscribed? Was the criteria too strict? Why didn't HIE model the effects of the criteria before setting them. This shows a complete lack of business sense and understanding of small businesses" ***IBRF Beneficiary***

4.19 The challenges associated with accurately estimating demand for a fund of this nature are discussed in Section 3. Notwithstanding these, it was recommended that any future fund should allow additional time at the design stage to undertake more rigorous demand modelling. This should draw on a combination of national-level datasets and more granular intelligence held by sector bodies and membership organisations, in order to develop a clearer understanding of the scale and characteristics of the eligible business population. Strengthening this evidence base would enable HIE to make more informed assumptions about likely uptake, and therefore better determine the level of grant support that could be offered per business. It should be noted that this would all require a longer lead-in time for a successor fund which may not be possible.

Fund management and delivery

4.20 **Management and delivery of the fund were broadly seen as effective, considering the restricted delivery timescales**. The table below summarises the key aspects of fund set up, management and delivery that have worked well, and areas that could have been improved. These are discussed in more detail in the following sub-sections.

[6] HIE recommended to the Scottish Government that the funding bands could be increased once the applications had been received and the number was lower than anticipated. However, this was not taken forward on the basis that the fund could be broadened out to other islands.

Table 4-1: Fund delivery strengths and challenges

	Strengths	Areas for improvement
Management and administration	• HIE used their established grant delivery model (also used for COVID resilience grants) • Effective sharing of learning internally at HIE	• Extended timescales would improve detail of application and monitoring data
Marketing and awareness	• Effective use of social media • Examples of effective use of local networks and stakeholders	• Potential to improve non-digital marketing (e.g. through leafleting or face to face events) • Opportunity to clarify eligibility during fund promotion • Scope to better utilise local networks and stakeholders • Providing a named contact at HIE may improve engagement (e.g. to help individual businesses with queries)
Customer journey	• Simple and straightforward application process • Funds distributed swiftly	• More detail in application guidance around how funding bands are determined. • Scope to better emphasise simplicity of process and minimal time required • Lack of appeals process excluded some badly affected businesses

Source: SQW

Management and administration

4.21 The IBRF had to be set up and delivered within a very tight timescale, which put pressure on fund set-up, management, and administration. Due to delays in Scottish Government decision making processes around the fund, followed by lower than anticipated uptake for IBRF1, HIE had to work within severely constrained timescales to deliver the full £4.4m of grant funding to businesses. There were several factors which enabled the rapid delivery of the fund over this time period, including:

- **HIE had an established grant delivery model** which had been set up and refined during the Covid-19 pandemic. This was regarded by Scottish Government as "*credible and reliable*", enabling effective delivery over a short time period. The grant monitoring system was seen as a key part of this model.
- **Strong internal communications at HIE supported delivery.** Internal stakeholders noted that there was internal training to ensure consistency in approach to delivering the fund, and effective sharing of lessons.

- **Implementation of a simplified application form** allowed businesses to respond to the opportunity swiftly and with minimal administrative burden. HIE made a considered decision to prioritise simplicity over detail in terms of application and monitoring processes in order to deliver the funds within the required timescales.

Marketing and awareness

4.22 As highlighted in Section 3, demand for the IBRF was lower than anticipated. The evaluation therefore sought to test how effectively the programme had been marketed across the eligible islands.

4.23 **Feedback generally suggests that promotion of the fund was sufficient and proportionate in scale.** The IBRF was promoted through a variety of channels including: social media and website updates from HIE; articles in local newspapers and other forms of paid advertising; engagement with local stakeholders including industry groups, community councils and intermediaries (e.g. accountants). Overall, consultees reflected that "*knowledge of the fund was not an issue"* due to the high profile nature of the ferry disruption and the small size of island the business communities, which facilitates word-of-mouth communication.

4.24 **Most beneficiaries provided positive feedback in relation to the marketing of the fund**, with an average satisfaction rating of 3.7 out of five. Social media was an important tool for raising awareness of the fund, with over one third (36%, 43/119) of survey respondents reporting they had heard of the fund through this channel. HIE also effectively leveraged local business groups/networks and sector bodies to raise awareness of the fund, with around one-fifth (34%, 41/119) of businesses finding out about the programme via these organisations. There were several examples where local stakeholders had been effective in raising awareness of the fund, including Visit Arran, West Highland Chambers of Commerce, Tiree Community Council, and the Scottish Islands Federation. Around a third of businesses supported had heard about the fund through multiple channels.

4.25 **However according to six stakeholders, and 12 beneficiaries, there was scope to improve marketing**. In particular:

- **The strong reliance on digital promotion may have excluded some businesses** that have limited online presence. Stakeholders highlighted that very small businesses and those run by older people may not have picked up on digital promotion. In their view, more traditional methods of promotion including leafleting and face-to-face events would have been beneficial.
- **The eligibility criteria of the IBRF could have been better promoted.** One stakeholder suggested that HIE needed to "*improve clarity"* around who was and was not eligible for the fund. This was backed up by several beneficiaries, who suggested that whilst they had successfully applied for the fund, other businesses in the same industry (e.g. fishing) had not applied as they did not think they were eligible due to the "*confusing"* criteria. As noted by one beneficiary:

*"We have fishing boats, and I think it was poorly specified/advertised to those fishing businesses who were eligible. I know businesses in our sector who didn't apply, some vessel companies did, but not all. And they all should have received support. The eligibility criteria was confusing - for example we had to tick 'manufacture of shellfish' [manufacture of food] when this is not a term in our industry." **(IBRF Beneficiary)***

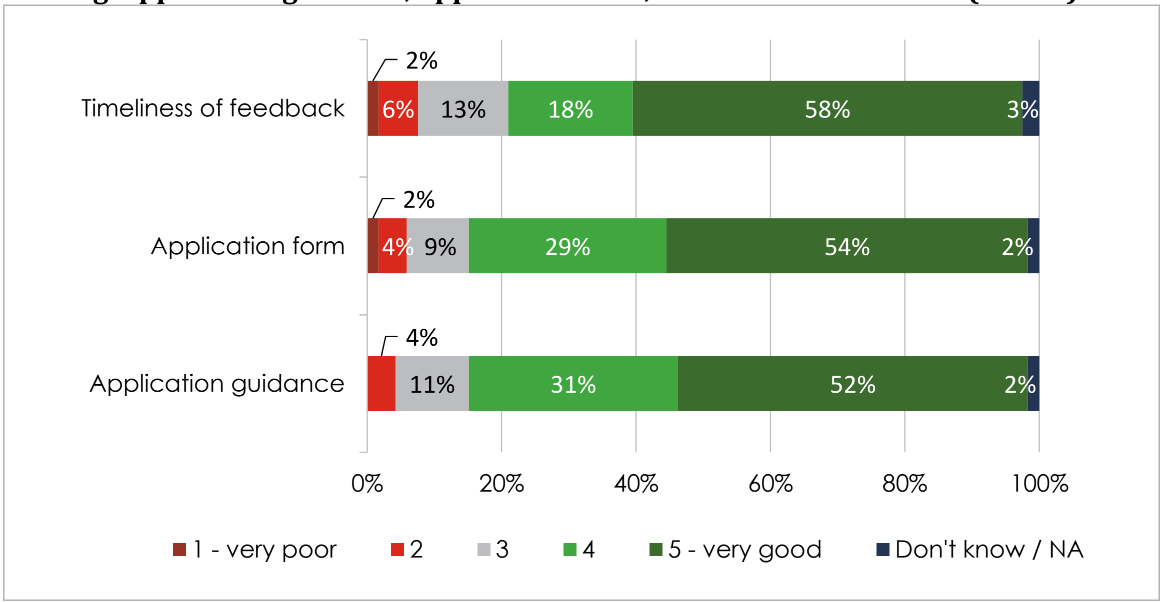
- **There may have been scope to further utilise local networks and stakeholders to promote the fund.** Whilst there was evidence of this happening to some extent, stakeholders and beneficiaries suggested that HIE may have been able to make better use of local councils and other stakeholders, including Business Gateway and local tourism groups.

- **Businesses would have valued a named contact at HIE to follow up with.** As highlighted by one consultee, "*tourism and rural island communities are all about personal contacts and relationships".* In this context, HIE could have assigned a named contact internally for each area to respond to the queries and support applications.

Customer journey

4.26 **Feedback on customer journey, from enquiry/application through to grant funding being received, was positive.** Beneficiaries were asked to rate, on a scale of one (very poor) to five (very good) how satisfied they were with the application guidance, the application form itself, and the timeliness of feedback. The results are presented in Figure 4-4, demonstrating that beneficiaries were typically very satisfied with the process. Average satisfaction was highest for application guidance (4.33), closely followed by application form (4.32), then timeliness of feedback (4.28).

Figure 4-4: On a scale of 1-5, how would you rate the following aspects of the grant funding: application guidance; application form; timeliness of feedback (n=119)



Source: SQW analysis of beneficiary survey

4.27 Although feedback was generally positive, several aspects of the application process could have been improved, based on stakeholder and beneficiary feedback. Specifically:

- **Application guidance could have included further detail on how the funding bands would be determined.** As introduced above (see 'Amount of funding' sub-section), beneficiaries and stakeholders were unclear regarding how decisions on the amount of funding allocated per business would be determined. The IBRF could have improved transparency around this by stating that it would be based on the number of employees.

- **The application guidance could have emphasised the simplicity of the process more strongly,** to avoid inadvertently deterring businesses from applying for the fund. One beneficiary noted that they "*nearly didn't apply*" because they were "*scared of the complexity*", but were pleasantly surprised by the reasonably short time it took to fill out the application. Relatedly, another business would have appreciated an indication of how long the application process would take prior to starting it.

- **Stakeholders highlighted that the application process should have allowed appeals for unsuccessful applicants.** In their view, the lack of appeals meant that some businesses which had been badly affected by the ferry situation were denied support due to not fitting with a specific aspect of the eligibility criteria.

"There was no appeals process and I think this should be reconsidered. There should be some flexibility around the criteria to ensure that all businesses badly affected by the ferries situation could access the fund." ***Stakeholder***

However, we acknowledge the practical draw-backs for HIE of implementing an appeals process in terms of additional admin required, and the risks of ambiguity and more subjective approval decisions which could then open up further challenges.

- **Additional guidance on how to report staff numbers** would also have been beneficial. One business highlighted that they did not know how to report on staffing, when they employ multiple part-time workers on an hourly basis.

- Practically, the application process would have benefitted from a 'save and return' option so that businesses could fill it out as and when they had limited pockets of time.

5. Fund outcomes

5.1 In this section we present an overview of the emerging outcomes generated for beneficiaries as a result of the fund. The analysis draws primarily on the beneficiary survey and provides an overall assessment of the fund performance against the logic model.

Use of the fund

5.2 Across the 119 businesses surveyed, data on the amount of grant funding allocated was available for 118.[7] This amounted to £1,440,548 of grant funding, an average of £12,208 per business. Of this: £1,282,307 (89%) was used for general business expenditure; £551 (0.04%) was taken out as profit or paid as bonuses; £104,001 (7%) was used for paying taxes; and £53,689 (4%) was saved for use in future years.[8] Telephone survey respondents were asked to briefly describe what they had used the funding for.

5.3 **The most common use of funds was working capital expenditure**, including paying bills (41%, 13/32), purchasing stock or other goods to facilitate day to day running of the business (31%, 10/32), paying wages (28%, 9/32) and carrying out maintenance (9%, 3/33).[9] In this context, several businesses mentioned that the fund had provided vital cashflow to maintain day to day operations. This was particularly important for highly seasonal businesses that would usually draw on savings accumulated during the summer to tide them over during the quiet winter season – several businesses mentioned that they had been unable to accumulate savings during the previous summer due to the ferry disruption.

5.4 **A minority of businesses had invested the funding to actively improve their offering.** For example, five beneficiaries had improved their facilities or services: one had added a sauna to their accommodation offering to attract more people and charge a higher price; one campsite had put the money towards hard-standings to allow all-weather camping; a golf course has invested in new yardage signs to enhance visitor experience; an accommodation provider put the money towards new 'pods'; and a community park had installed new showers. In addition, two beneficiaries had invested in their digital infrastructure, including their website, social media, and booking systems.

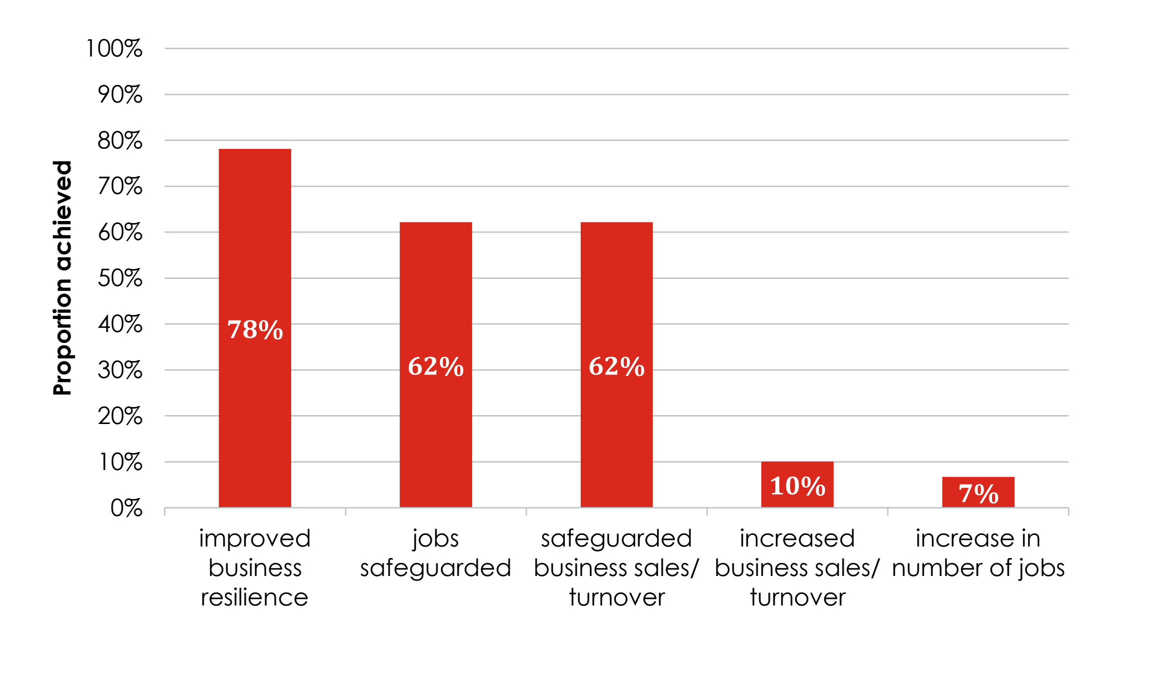
Direct benefits

5.5 The programme logic model assumes that the grant will generate a range of outcomes for supported organisations. Specifically, the fund is expected to: improve the resilience of business through better liquidity; allow business operations to be maintained (and so

[7] Note that one respondent did not provide a company or individual name and so could not be matched to monitoring data.
[8] These proportions are substantially different to those used in HIE's Economic Impact Assessment, which assumed that 40% would be used for general business expenditure, 30% taken out as profit, 20% paying taxes and 10% saved.
[9] Note that analysis is based on qualitative responses.

safeguard jobs and turnover); and support business growth**. The survey results indicate that the IBRF has successfully improved resilience and helped to maintain operations, with a minority of beneficiaries also achieving growth as a result of the fund** (Figure 5-1

Figure 5-1: Did the funding lead to any of the following benefits? (n=119)

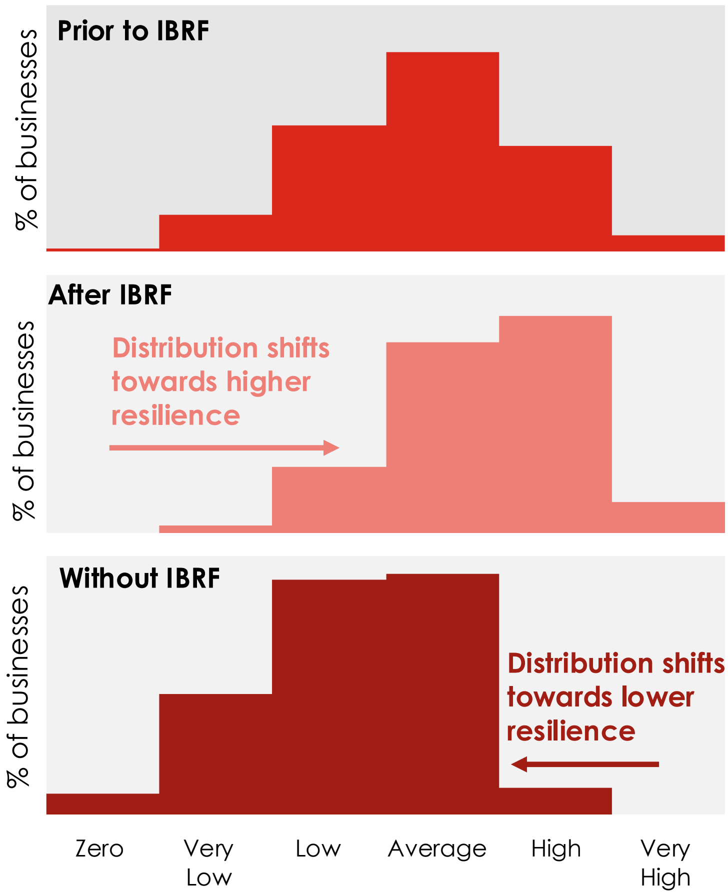


Source: SQW analysis of beneficiary survey (note: businesses were asked about each metric)

Business resilience

5.6 **The majority of beneficiaries reported that the IBRF had helped to improve their resilience** (78%, 93/119). As explained later in this section, throughout the delivery of the IBRF, island businesses faced a number of challenges which adversely affected their resilience, including continued ferry disruption and escalating costs (energy bills, staff wages etc). To account for these ongoing challenges, businesses were asked to rate their resilience on a scale of zero to five at three points: (i) before IBRF, (ii) now, having received IBRF, and (iii) what they think it would be now if they had not received IBRF. The results clearly indicate that IBRF has positively contributed to their resilience. The average resilience prior to the fund was 2.8, and after receiving the fund it was slightly higher at 3.4. However, if the fund had not been available, businesses reported an estimated average resilience of 2.2. The effect of the fund on resilience is illustrated in Figure 5-2, which shows that the distribution of responses shifts towards higher resilience after IBRF, and would be lower now without IBRF.

Figure 5-2: On a scale of 0-5, how would you rate the resilience of your business prior to receiving the grant support, and now? What do you think it would be now if you hadn't received the grant support?



Source: SQW analysis of beneficiary survey. Note that zero resilience means business has ceased trading, a score of one ('very low') means the business is at risk of closure.

5.7 In terms of *how* IBRF improved business resilience, the most common theme was easing cash-flow pressures to maintain day-to-day business operations, reported by over half of beneficiaries (54%, 49/90).[10] As described in the sub-section above, the grant funding was typically used to pay staff, buy stock, carry out maintenance, and pay bills. As noted by one consultee:

"When that money came in it was an absolute god-send. We were thinking of closing for the winter completely but the funding allowed us to stay open – to keep people employed and pay our bills" ***IBRF beneficiary***

5.8 The timing of the funding for easing cash-flow issues was particularly important. Several beneficiaries noted that they had experienced a poor 2025 summer season due to the ferry disruption. The fund therefore provided a "*much needed cash injection*" during the winter,

[10] This question was asked of 93 consultees (i.e. all those who reported improved resilience, with 90 providing responses)

when the business may typically operate at a loss and draw on surplus from the summer to maintain operations.

5.9 **In cases where the funding had been used to cover wages, it had effectively contributed to staff retention**. Businesses described the importance of staff retention to business resilience, particularly within the island context where it may be challenging to attract new employees:

"Staff are a big problem here and you can't mess your staff around so they need to be paid properly" ***IBRF beneficiary***

5.10 Other routes through which the fund improved resilience included:

- **Investing in improvements to facilities or equipment** to enhance overall visitor offering. For example, several accommodation providers added new facilities to their offering (e.g. hard-standings for campervans, BBQ facilities, sauna).
- **Enabling organisations to have a savings buffer** to absorb future business challenges, including continued ferry disruption.
- **Funding business diversification** to generate new income streams and improve resilience, for example one beneficiary used some of the funding to develop and market a new product for local groups rather than mainland visitors.
- **Improving marketing and digital infrastructure** by paying for specialist services to conduct social media activity, develop/improve company website, and/or conduct paid advertising.

Jobs and turnover outcomes

5.11 **Survey feedback indicates that the IBRF has helped beneficiaries to maintain their business operations.** Specifically, nearly two thirds of beneficiaries reported that business sales/turnover had been safeguarded as a result of the IBRF (62%, 74/119) and the same proportion reported that jobs had been safeguarded. A minority of beneficiaries reported that the IBRF had supported business growth in terms of sales (10%, 12/119) or employment (7%, 8/119). Around a fifth of businesses reported that the IBRF will support business growth in the next two years (19%, 23/119).

5.12 Based on the evidence collected through the beneficiary survey, we have estimated the impact of the IBRF on jobs and turnover. The analysis involved the following steps:

- **First, we used survey data on the self-reported outcomes of the IBRF to calculate the gross value of jobs and turnover safeguarded**. Where beneficiaries identified a positive effect on jobs/turnover safeguarded but could not quantify the scale of it, we estimated this by applying the average impact by size of grant, and applying those values.[11]

- **To convert the gross values to net values,** we applied individual additionality adjustments to each respondent's reported benefits. If they reported full additionality, this was 100% of the value, partial additionality was 50%, and deadweight was 0%.

- **We then scaled up the net impacts from the survey sample to the total beneficiary population.** The survey sample was representative of the wider beneficiary population in terms of sector and location, however businesses in the survey sample were typically slightly larger (and therefore received more grant funding). Further detail on the representativeness of the survey sample is available in Annex B. Any outliers were removed before the responses were scaled to the full sample, before being added back into the final impact estimates.

5.13 **Note that the process outlined above does not constitute a full impact assessment.** Given the timing of the evaluation, and the resources available for the evaluation process, it was not considered appropriate or proportionate to conduct a full impact assessment, which would account for displacement, substitution, leakage and optimism bias. The analysis also does not account for wider spillover/ multiplier effects, which are described in qualitative terms in the 'wider outcomes' subsection below. The figures presented should therefore be interpreted with caution at this stage.

5.14 The estimated net impacts of the IBRF on jobs and turnover (both safeguarded and additional) for the sample and wider population are shown in Table 5-1. Assuming the sample is broadly representative of the full population of fund beneficiaries, it is estimated that the IBRF has helped to safeguard £5.9m in turnover and 666 jobs.

Table 5-1: Estimated net impact of IBRF on jobs and turnover

	Sample[12]		Population	
	To date	Expected	To date	Expected
Jobs safeguarded	235	N/A	666	N/A
Increase in number of jobs	5	12	17	60
Turnover safeguarded	£2.2m	N/A	£5.9m	N/A
Increase in turnover	£82k	£158k	£306k	£452k

Source: SQW analysis of beneficiary survey

[11] Note that in cases where only a small number of respondents had provided values, the average was of all responses.
[12] These figures include outliers

Wider outcomes

5.15 **According to beneficiary feedback, the IBRF has helped to sustain important community services** with direct benefits for the locals who use them. For example, the fund supported a range of transport services, retail outlets, hospitality businesses, and community facilities that are used regularly by local residents. Hospitality and leisure venues provide a "*social hub*" for local residents whilst transport companies provide important private transport links in areas with limited public options. In several cases, respondents highlighted that their organisation plays a wider community role beyond commercial activity. For example, community facilities and social enterprises noted that their continued operation supports community events and wellbeing activities.

5.16 **In addition, by helping businesses to sustain their operations, the fund has indirectly sustained a wide range of businesses through local supply chains.** This is evident in multiple cases across the survey, where recipients continued to purchase goods and services locally as a direct result of the funding. For example, accommodation providers reported being able to continue employing local tradespeople such as painters, electricians and maintenance contractors, while also purchasing materials and services needed to maintain their properties and prepare for the tourist season. Similarly, food, retail, and hospitality businesses continued to source stock and other supplies from local or regional suppliers, preventing further knock-on impacts of the ferry disruption across the wider business ecosystem. In some cases, businesses explicitly noted that the funding allowed them to cover outstanding bills from the previous year, thereby ensuring that suppliers and service providers were paid and could continue operating.

5.17 **There are also a range of less tangible benefits from the IBRF.** For example, beneficiaries widely reported a sense of recognition which came with the delivery of the IBRF. The fund signalled that the Scottish Government recognised the ongoing failures of the ferry system, and the urgent need to support those affected. As noted by one consultee:

"It is depressing when there are cancellations, but this gives everyone a feeling of being listened to or heard" ***IBRF Beneficiary***

5.18 Relatedly, the IBRF seems to have had a positive effect on people's mental health and outlook for the future. Practically, the injection of funding has reduced pressure on the business, and in some cases helped to relieve debt burden. This helped to "*lift spirits*" and *"reduce the stress levels"* of business owners. In addition, beneficiaries reported improved confidence that came with government backing, which in turn may positively influence their willingness to invest in their business in the future:

"More confidence that we have backing from the government adds to our resilience. The recognition of our difficulties doesn't sound substantial but it is an important thing." ***IBRF Beneficiary***

5.19 However, there was limited evidence that the fund had improved awareness of other types of business support or funding opportunities amongst beneficiaries. Only one stakeholder suggested this was an outcome of the IBRF, backed up by one survey respondent:

"It has given us the opportunity to look up and look out about how to increase funding from other sources which builds resilience in the organisation. We have been introduced to the grant world because of the funding and are on more mailing lists etc to understand other support and opportunities." ***IBRF Beneficiary***

Factors that have enabled / hindered outcomes

5.20 The key factors that have helped and hindered outcomes achieved are detailed in the table below. Several of these relate to aspects of design and delivery of the fund, and are covered in more detail in Section 4. There are also enabling and hindering factors outside of the fund; these may be internal to the business or related to the wider operating environment.

5.21 **Undoubtedly, the most significant hindrance was the continued disruption of ferry services, and associated negative publicity around it.** As noted by one stakeholder:

"The ferry situation continues to be a major disruptor and needs to be solved. If you're on an island everything boils down to that" ***Stakeholder***

5.22 This was strongly reinforced by business feedback, which repeatedly emphasised that the ferry situation is an ongoing crisis for the islands. When asked about other factors affecting outcomes, continued ferry issues were cited more than any other factor, including rising fuel and wage costs. Beneficiaries also reported that the negative publicity around the ferries has become as damaging as the disruption itself.

5.23 Aside from the ongoing ferry disruption, other barriers and enablers raised by beneficiaries and stakeholders are detailed in Table 5-2.

Table 5-2: Summary of barriers and enablers

	Enablers	Barriers
Fund design & delivery	Use of local networks and social media effectively raised awareness Simple, low-burden application process encouraged applications Timely payment meant businesses could use funds swiftly	Restrictive eligibility criteria excluded some badly affected firms, with limited flexibility for fringe cases Lack of clarity on funding bands and award levels prevented businesses planning effectively Funding often too small for larger businesses / long-term resilience
Internal to business & wider factors	Businesses' own actions to improve resilience (e.g. altering opening times etc)	Continued ferry disruption and unreliable capacity Publicity around the ferry disruption

	Enablers	Barriers
	Access to other finance in minority of cases (e.g. bank loan or other grant funding) Island marketing and destination promotion (e.g. TV coverage of islands)	Rising operating costs, including fuel and National Insurance Cost-of-living pressures reducing customer demand Poor weather affecting travel and trading conditions

Source: SQW

Additionality of the outcomes achieved

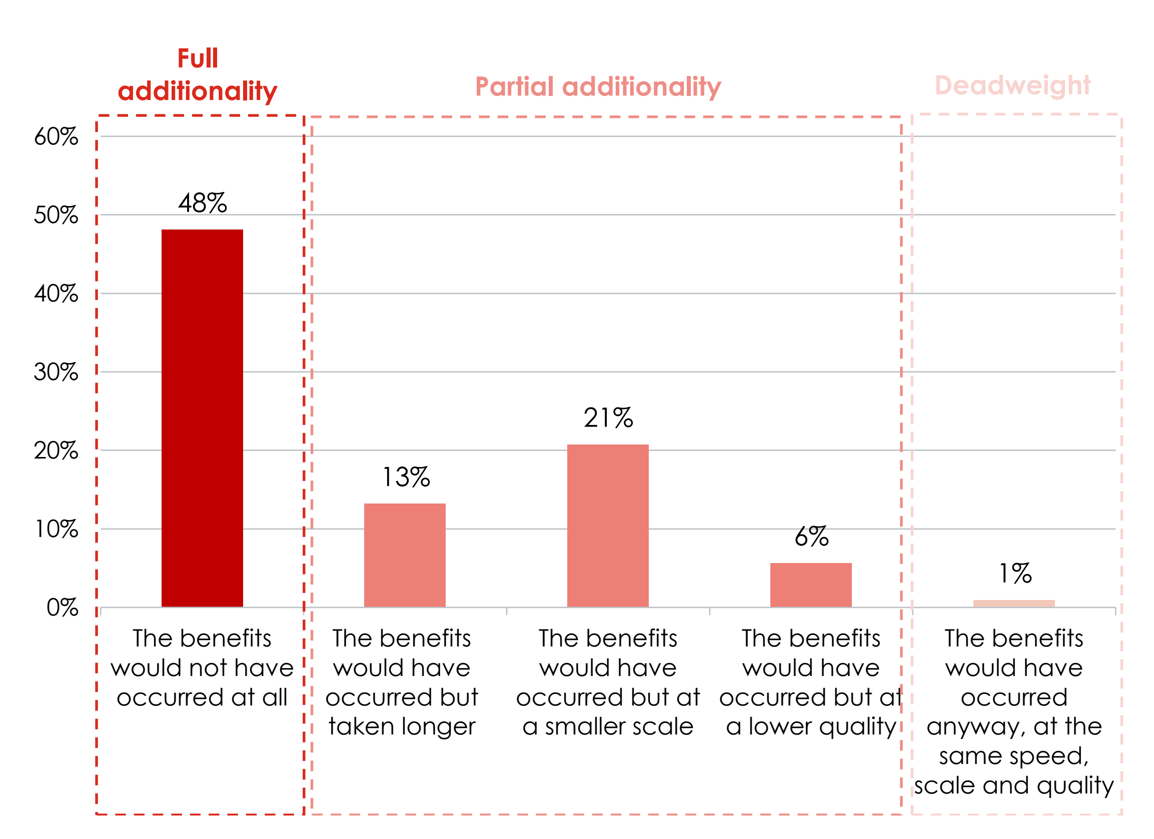
5.24 A key question in evaluation is the extent to which the observed benefits would have occurred without the support, known as outcome additionality. **Evidence suggests that the fund has performed well in terms of outcome additionality**:

- **Full additionality was reported by around half of beneficiaries (48%, 51/106)[13],** who considered that the benefits achieved would not have occurred at all without the IBRF.
- **Partial additionality was reported by just over a quarter of beneficiaries (27%, 29/106).** Of these, most thought that the benefits would be a smaller scale whilst some thought they would have taken longer to achieve.
- **Deadweight is very low,** with only one beneficiary reporting that all of the benefits would have occurred in the same way (scale, speed etc) without support from the IBRF.
- Around a quarter of respondents did not know what would have happened to the stated benefits without support from the fund (21%, 25/106)

5.25 It is worth noting that the assessment of additionality draws on self-reported data only. However, combined with the strong level of finance additionality suggested by stakeholders and confirmed by beneficiary feedback, these findings suggest that the benefits above are highly additional.

[13] 106 beneficiaries reported benefits from the fund and so responded to the additionality question.

Figure 5-3: Given what we have discussed about the business benefits of the Fund and other factors affecting your business, what do you think would have happened without IBRF? (n=106)



Source: SQW analysis of beneficiary survey. Note partial additionality options were multi-response.

IBRF Impacts

5.26 As outlined in the logic model, the IBRF is expected to generate three key impacts: increased business survival rates, economic growth in island communities, and the continued viability of critical island industries. Given the timing of the evaluation fieldwork, it is too early to assess if these impacts have been achieved. However, based on the evidence gathered to date we can provide the following high-level reflections:

- **There is some limited evidence to suggest that the IBRF has improved business survival rates**. Specifically, four businesses stated that without the IBRF they would now have 'zero resilience' and that the business would have ceased trading. Stakeholders were also able to provide anecdotal evidence of businesses that would not have continued to operate without support from the IBRF.

- **The above impact estimates suggest that the IBRF has supported modest economic growth**. Based on the survey responses, we estimate that the IBRF has created 17 jobs and generated an additional £306k in turnover, with more significant impacts expected in the future.

- However, it is clear **that the main economic outcome of the fund has been safeguarding existing economic activity** rather than stimulating growth.
- **The continued viability of critical island industries is unlikely to be achieved as a result of the IBRF,** or any other short-term funding solutions. Feedback consistently highlights that for this to be achieved, the ongoing ferry disruption must be resolved.

Future challenges and need for further support

5.27 **The most significant challenge affecting the resilience of island businesses going forward is the continued disruption of the ferry services.** Improving the reliability of the ferry services is therefore the key priority for the public sector. However, in the context of continued disruption, 14 survey respondents made the case for ongoing financial support through grant funding. Beneficiaries acknowledged that while they do not want to rely on grants indefinitely, the reality is that ferry issues are unlikely to be resolved quickly. As one respondent explained:

"No business in the islands wants to live off handouts as this devalues our business should we look to sell it, compared to having higher turnover... Improving the ferry network is obviously a long term project though, so in the meantime I think the businesses... should receive further funding." ***IBRF beneficiary***

5.28 **While restoring ferry reliability remains the overriding priority, beneficiaries and stakeholders were clear that this alone will not be sufficient to strengthen the long-term resilience of island businesses following years of disruption**. Alongside action to address ferry disruption, they highlighted the need for a broader package of public sector support to help rebuild confidence, improve connectivity, and address the infrastructure constraints that continue to affect business performance. According to business and stakeholder feedback, this support should include:

- **Marketing campaign(s):** Survey respondents repeatedly called for dedicated marketing campaigns to promote the islands as visitor destinations once ferry reliability improves – highlighted by 17 beneficiaries. Businesses emphasised the need to rebuild visitor confidence and counter the reputational damage caused by years of disruption. Suggestions included targeted marketing during quieter months (November to February), and promotional campaigns specific to individual island groups such as Uist and the Outer Hebrides. However, several respondents cautioned that any marketing campaign should only be launched once ferry reliability is resolved, to avoid the risk of attracting visitors who then have a negative experience.
- **Better public sector communications:** Consultees also highlighted a need for the Scottish Government to provide statements or updates to the public to reassure visitors that progress is being made in relation to the ferries. In addition, CalMac should work to improve its communication about service status and contingency arrangements, ensuring these are clear and proportionate – some consultees reflected that CalMac currently

overstates the risk of disruption and deters visitors unnecessarily. As noted by one respondent:

"I do feel strongly that when you come into Fort William - there is a big sign saying that there could be disruption all the time. It puts people off when the danger does not exist as much as that in reality. I know they are trying to cover their backs but I feel it could be more positive. It shouldn't assume we will get stuck." ***IBRF beneficiary***

- **Improved supporting infrastructure:** Survey respondents also highlighted a need for investment in the physical infrastructure that supports the ferry network. This would include upgrading and maintaining piers and harbour facilities to accommodate new and larger vessels, improving storage capacity at ports, enhancing port facilities (e.g. places for refrigerated vehicles to plug in), and ensuring that terminal infrastructure can support efficient loading and turnaround times. Such measures were highlighted by five beneficiary respondents.

- **Investment in other forms of transport to the islands:** Survey respondents also called for investment in alternative and complementary transport options. Suggestions included improving air links and reducing the cost of flying to the islands and exploring fixed-links where feasible. Better integration of rail links to key ferry ports were also highlighted.

5.29 **Beneficiaries also emphasised that the long-term resilience of island businesses is shaped by a wider set of structural challenges beyond the ferry network.** When asked what additional action the public sector could take, respondents pointed to a number of persistent issues that continue to constrain business performance, workforce sustainability, and the attractiveness of island communities as places to live and work. The following themes were consistently highlighted:

- **Improve on-island transport infrastructure:** Qualitative feedback from 14 beneficiaries referenced a need to improve the transport infrastructure on the islands. This included improving road surfaces and bus connections, which would benefit both locals and visitors. One business specifically highlighted that poor road surfaces would dissuade cyclists and motorhome tourists from visiting the islands. Improving public transport links was seen as key to ensuring businesses could access

"For too long the public transport infrastructure demise has hindered growth on the Uists - People who do not drive find it hard to take Jobs that require public Transport"

- **Address housing crisis:** A lack of affordable housing was seen as a key issue for island business resilience, noted by nine beneficiaries. Feedback indicated that families were unable to afford homes locally, contributing to a trend of depopulation and therefore reduced workforce. Relatedly, there is limited availability of affordable housing for seasonal workers. As noted by one consultee:

"Housing on the island is a big problem, people can't find places to live so employing people is getting harder because youngsters leave. Public investment in housing would be important, so that we can maintain that working population." ***IBRF beneficiary***

- **Provide additional financial support measures:** Survey respondents expressed frustration at the cumulative effect of rising costs, including energy prices and national insurance contributions, particularly at a time when visitor numbers have declined due to the ferry disruption. To help counter this, around 10 beneficiaries requested additional financial support measures in the form of: VAT or National Insurance relief for the hospitality sector, (continued) business rates relief, subsidised fuel, exemption from a future potential visitors levy, and reduced ferry fares. Note that these responses reflect the sectoral make-up of the survey population, which were primarily hospitality businesses.

6. Conclusions and recommendations

6.1 This final section presents our conclusions, reflecting on the original research questions for the evaluation and the evidence presented above.

Effectiveness of fund design and delivery

6.2 **The evidence gathered in this evaluation confirms the rationale for intervention.** Island businesses are highly dependent on ferry links with the mainland for transportation of goods and people. The majority of beneficiaries reported that the ferry disruption has had a 'significant' or 'critical' impact on their business. Specifically, they cited a reduction in turnover or increase in costs as a result of reduced footfall and/or challenges transporting goods onto and off the island. Although some businesses had taken measures to improve their resilience, limited funding was available from other sources for this purpose. The IBRF therefore had a high level of finance additionality, with most businesses reporting that no other finance would have been available. However, our confirmation of the rationale is strongly caveated on the basis that **the fund is a short term solution – the long term improved resilience of island businesses depends on the ferry issues being resolved**.

6.3 **The evidence suggests that the overall design of the fund was broadly aligned with its objectives and enabled rapid delivery**. However, the limited funding pot meant that not all affected businesses could be supported optimally. In terms of geographic reach, there were clear concerns around the reliance on cancellation data to identify eligible islands in IBRF 1. The decision to widen the scope to include islands adversely affected by other types of disruption (e.g. capacity) was welcome. In relation to eligible sectors, the prioritisation of tourism and perishable goods businesses was justified by their immediate exposure to ferry disruption. However, it was clear from stakeholder feedback that businesses in others sectors have also been adversely affected to varying degrees and, in their view, unfairly excluded from the fund. Similarly, other eligibility criteria (including minimum turnover and on-island revenue) were regarded as overly restrictive. Views on the level of funding available were divided: grants provided valuable short-term support, particularly for micro-businesses, but were often insufficient to meaningfully enhance longer-term resilience, especially for larger firms. Feedback consistently highlighted a need for more transparency around how the amount of funding per business was determined.

6.4 **Management and delivery of the fund were broadly seen as effective, considering the restricted delivery timescales**. In terms of the management of the fund, HIE was able to draw on established grant delivery processes and strong internal co-ordination to ensure funds were distributed within the intended timescales, despite lower than anticipated uptake. In relation to marketing, HIE used social media and effectively leveraged local networks and stakeholders to raise awareness of the fund. However, there may have been potential to improve non-digital marketing (e.g. through leafleting or events) to raise awareness amongst harder to reach businesses. In addition, the eligibility criteria could have been communicated more clearly in the promotion of the fund. Beyond marketing, beneficiaries generally reported positive experiences of the customer journey, highlighting the simplicity of the application process and the timeliness of payments. However, the evaluation identified several potential areas for improvement including more detail in the application process around how the funding bands would be determined and the introduction of an appeals process for 'marginal' cases.

Outcomes of the fund

6.5 **The fund was primarily used as a short-term financial boost to support day-to day business operations, rather than longer-term investment to support growth or diversification.** The majority of funding was directed towards working capital – including paying bills, covering wages, and purchasing stock – reflecting the immediate pressures facing businesses as a result of the ferry disruption. The fund therefore played an important role in improving liquidity and enabling businesses to continue to operate during a challenging period. A minority of businesses invested the funds to improve their offering.

6.6 **There is clear evidence that the fund has achieved its intended outcomes in relation to improving business resilience and safeguarding business operations.** Indeed, the majority of beneficiaries (78%, 93/119) reported improved resilience as a result of the IBRF. The average resilience of businesses prior to IBRF was 2.8/5, increasing to 3.4/5 after receiving the funding. This is despite continued ferry disruption and other pressures on businesses – without the funding, average resilience would be considerably lower, at 2.2/5. Survey feedback also indicates that the IBRF has helped beneficiaries to maintain their business operations. Nearly two thirds of beneficiaries reported that business sales/turnover had been safeguarded as a result of the IBRF (62%, 74/119) and the same proportion reported that jobs had been safeguarded. This translates into an estimated 666 jobs and £5.9m turnover safeguarded across the beneficiary population. Only a small number of businesses reported growth-related outcomes reinforcing the conclusion that the fund functioned primarily as a resilience measure.

6.7 **The fund has also contributed to a range of wider outcomes for beneficiaries and island communities.** By helping businesses to remain operational, the fund contributed to the continuation of essential services and facilities that play an important role in island life, while also maintaining local supply chains. In addition, beneficiaries highlighted less tangible benefits, including improved confidence, morale, and a sense of recognition that their challenges caused by the ferry disruption were being acknowledged.

6.8 **The fund has performed well in terms of outcome additionality,** with full additionality reported by around half of the beneficiary survey respondents (48%, 51/106). This aligns with the high level of finance additionality reported earlier. Partial additionality in terms of scale, timing, or quality was reported by just over a quarter of respondents (27%, 29/106) and deadweight was very low.[14]

Reflections and key lessons for future policy

6.9 **Looking ahead, the most significant challenge facing island businesses remains the ongoing disruption to ferry services. While the IBRF has helped to mitigate some of the short-term effects of the disruption, beneficiaries and stakeholders were clear that resolving ferry reliability is the single most important priority for supporting long-term business resilience.**

6.10 At the same time, there was recognition that even once ferry services improve, the cumulative impacts of prolonged disruption will persist, requiring continued support to rebuild confidence, demand, and operational stability. In this context, stakeholders and beneficiaries identified four areas, related to the ferries, where public sector support is required to improve resilience. First, the public sector should support measures to stimulate demand, including through funding for marketing campaigns to promote the islands. Second, CalMac and the Scottish Government should improve public communication around the ferry services, including effective and proportionate communication of ongoing disruption and a clear plan regarding how it will be addressed in the short and longer-term. Third, investment in supporting/enabling ferry infrastructure to improve the resilience of the system, including storage facilities and pier infrastructure. Finally, consultees also highlighted a need for investment in other forms of transport to the islands, to reduce reliance on the ferries.

6.11 More widely, feedback emphasised that business resilience on the islands is shaped by a broader set of structural challenges, including housing shortages, workforce constraints, and rising operating costs. Addressing these issues will require longer-term, cross-cutting policy interventions that go beyond short-term funding. Stakeholder feedback highlighted the need for a more holistic approach to support island resilience with closer alignment between transport resilience, economic development, and wider island policy interventions to address resilience holistically, in a way that recognises the unique challenges and vulnerabilities relevant to island communities. Future support needs to be shaped by the islands through stakeholder consultation and working with local groups.

6.12 In the context of ongoing ferry disruption, additional grant funding may be required to safeguard island businesses. The evaluation identifies the following key lessons to inform future resilience funding:

- **Lesson 1: Design eligibility to reflect the system-wide effect of the disruption.** Geographic eligibility should account for cancellations, as well as other forms of disruption, drawing on both quantitative data from Transport Scotland and wider consultation. It should also reflect the interlinked nature of islands. In addition, whilst targeting tourism and perishable good was justified given the limited funding available

[14] Note that a quarter of respondents answers "Don't know" to the outcome additionality question.

for IBRF, future funds should consider including other sectors and widening other r criteria to avoid excluding significantly impacted businesses. This may include mechanisms for exceptions (e.g. appeals process), although recognising there would be challenges associated with this approach in terms of additional admin and the risks of more subjective approval decisions which could then open up further challenges.

- **Lesson 2: Improve understanding of island resilience issues.** The evaluation evidence highlighted some frustration that there was not more engagement with the island communities to better understand the scale of economic impacts from the ferry disruption and how best to design the fund eligibility. Although there were clear time pressures to launch and deliver the fund by the end of the financial year, more comprehensive consultation with island communities should be built into the process of developing any successor fund.[15]

- **Lesson 3: Improve clarity and transparency around funding allocations.** Confusion around how grant levels were determined limited businesses' ability to plan. HIE should draw on data from the IBRF, and potentially local membership organisations, to improve future estimates on the number of eligible businesses. This would allow better communication of the potential range of funding available to each business. Promotion and application guidance should clearly set out how the funding levels will be determined.

[15] It is noted that Scottish Government published two Island Impact Assessments detailing the pre-programme consultation, in August 2025 and December 2025.

Annex A: Stakeholder consultees

A.1 This annex sets out the stakeholder consultees engaged with to inform the findings of this evaluation

Table A-1: Stakeholder consultees

Organisation	Consultee
Argyll and the Islands Tourism Co-operative	Cathy Craig
Comhairle nan Eilean Siar	Anne Murray
HIE	Anna Miller
HIE	Jackie Harrison
HIE	Lindsay Simpson
HIE	Morag Goodfellow
HIE	Nicola Ewing
HIE	Rachel Forrest
HIE	Rachel Hunter
Mallaig Harbour Authority	Jacqueline MacDonnell
Mull and Iona Ferry Committee	Joe Reade
Outer Hebrides Tourism	Sue Reid
Scottish Government	Erica Clarkson
Scottish Government	Megan McWilliams
Scottish Government	Lewis MacAskill
Tiree Community Development Trust (Discover Tiree sits within the Trust)	Phyl Meyer
Visit Arran	Sheila Gilmour
Visit Mull and Iona	Margaret Matthew
West Highland Chamber of Commerce	Frazer Coupland
Western Isles Ferry Group	Uisdean Robertson

Source: SQW

Annex B: Detailed survey results

B.1 The beneficiary surveys included a telephone survey conducted by SQW, and an online survey that was designed by SQW and distributed by HIE. Across both surveys, a total of 119 responses were received, which represents 27% of the beneficiary population. This sample size yields an approximate margin of error of ± 8 percentage points at the 95% confidence level, indicating a relatively high degree of confidence in the answers being representative.[16]

Beneficiary population vs survey population

B.2 A series of statistical tests were undertaken to compare the population that answered the survey population to the overall population. Where the comparison was of metrics that were categorical (sector, size category, island), chi-squared tests were used to compare the distribution of the respondents to the distribution of all recipients. Where the value was numerical (amount of funding received) a one sample t-test was used to compare the average funding received by survey respondents to the average received by all recipients. Note that one respondent did not provide a business or individual name, and so it was not possible to link it to monitoring data including business size, sector, amount of grant funding etc. Similarly data was missing for one business in the full beneficiary population.

B.3 **The survey respondents are larger, and have received more funding, than the population of all grant recipients. The survey respondents were representative in terms of the island they were located on, and the sector they operated in.**

Size

6.13 Businesses with nine employees or less were underrepresented in the survey, whilst businesses with more than nine were overrepresented. The p-value from these results is 0.01, indicating that **this difference is statistically significant at the 0.05 significance level**. The full table of comparisons can be found in Table B-1.

Table B-1: Comparison of survey respondents and all recipients - Size

	Survey respondents (n = 118)	All recipients (n = 443)
0 - 4 emp	70%	76%
5 - 9 emp	10%	13%
10 - 14 emp	6%	4%
15 - 49 emp	13%	6%
50 - 249 emp	1%	0%

Source: SQW Analysis of HIE survey and monitoring data

[16] Assuming the survey sample was random, and there is not any response bias

Sector

6.14 **The distribution of the sector of respondents and all recipients is not statistically significant at the 0.05 level** (p = 0.44). The vast majority of recipients are from the Tourism sector (95%), as are the majority of survey respondents (93%) – full results can be found in Table B-2. A simplified version of the sector was used, where each respondent was classified as either 'Perishable goods' or 'Tourism', based on the sector description given in the IBRF data.

Table B-2: Comparison of survey respondents and all recipients - Sector

	Survey respondents (n = 118)	All recipients (n = 443)
Perishable Goods	7%	5%
Tourism	93%	95%

Source: SQW Analysis of HIE survey and monitoring data

Location (island)

B.4 **The distribution of the location of respondents and all recipients is not statistically significant at the 0.05 level** (p = 0.71). There are four islands where businesses received funding but no survey response was received: Berneray, Colonsay, Eriskay and Ulva. Vatersay – which was eligible but received no grants - has not been included in this analysis.

Table B-3: Comparison of survey respondents and all recipients - Location

	Survey respondents (n = 118)	All recipients (n = 443)
Arran	34%	28%
Barra	5%	4%
Benbecula	5%	5%
Berneray	0%	0%
Coll	2%	1%
Colonsay	0%	2%
Eriskay	0%	1%
Grimsay	2%	1%
Iona	3%	3%
Islay	9%	9%
Jura	2%	2%

	Survey respondents (n = 118)	All recipients (n = 443)
Mull	21%	24%
North Uist	9%	7%
Small Isles	2%	3%
South Uist	5%	5%
Tiree	2%	5%
Ulva	0%	0%

Source: SQW Analysis of HIE survey and monitoring data

Funding received

B.5 **The average funding received by survey respondents was higher than the average funding received by all recipients** at the 0.05 level (p = 0.01). On average, survey recipients received a total of £12.2k of funding through IBRF, whilst the average across all recipients was £9.9k.

Survey results

Table B-4: Total value of grant funding received. (n=118)

Responses	No.	%
£3,000[17]	1	1%
£5,514	82	69%
£18,380	12	10%
£27,570	7	6%
£35,000	15	13%
£45,950	1	1%
Total	**118**	**N/A**

Source: SQW Beneficiary Survey

[17] One IBRF1 applicant did not receive follow-on funding.

Impact of ferry disruption on your business

Table B-5: On a scale of 1-5, how would you score the negative impact of the ferry disruption on your business? (n=119)

Responses	No.	%
1 – No impact	0	0%
2 - Small impact – inconvenient but no risk to operations, turnover and/or headcount	3	3%
3 - Moderate impact – risk to operations, turnover and/or headcount	21	18%
4 - Significant impact – reduced operations, turnover, and/or headcount	79	66%
5 - Critical impact – business at risk of closure	16	13%
Total	**119**	**N/A**

Source: SQW Beneficiary Survey.

Use of funding

Table B-6: What have you used / will you use the funding for? (n=118, one blank)

Responses	No.	%
General business expenditure / investment	118	100%
Taken out as profit / paid as bonuses	1	1%
Paying taxes	17	14%
Saved for use in future years	12	10%
Total	**148**	**N/A**

Source: SQW Beneficiary Survey. Note this was a multi-response question.

Table B-7: Please state the % of funding allocated to the following. (n=118, one blank)

Responses	Total amount allocated (£)	%
General business expenditure / investment	1,282,307	89.02%
Taken out as profit / paid as bonuses	551	0.04%
Paying taxes	104,001	7.22%
Saved for use in future years	53,689	3.73%
Total	**1,440,548**	**N/A**

Source: SQW Beneficiary Survey.

Finance additionality

Table B-8: Without this Fund, would you have been able to find an alternative source of finance for the purposes mentioned in the previous question? (n=119)

Responses	No.	%
Yes, the same amount of finance in the same timeframe	1	1%
Yes, but it would have been a smaller amount of finance	5	4%
Yes, but it would have been more expensive	18	15%
Yes, but it would have taken longer	11	9%
No, other finance would not have been available	72	61%
Don't know	16	13%
Total	**123***	**N/A**

*Source: SQW Beneficiary Survey. *Note that respondents could select more than one type of partial additionality. % is of the number of respondents to this question = 119*

Delivery process

Table B-9: How did you find out about the IBRF? (n=119)

Responses	No.	%
Word of mouth	25	21%
Local business group/network	41	34%
Through accountant or other third party	5	4%
Directly through HIE	37	31%
Social media	43	36%
Actively searching for support	9	8%
Other	14	12%
Total	**211**	**N/A**

Source: SQW Beneficiary Survey. Note this was a multi-response question.

Table B-10: On a scale of 1-5, how would you rate the marketing of the grant funding? (n=119)

Responses	No.	%
1 - Very poor	3	3%
2 - Poor	12	10%

Responses	No.	%
3 - Average	31	26%
4 - Good	30	25%
5 - Very good	35	29%
Don't know / not applicable	8	7%
Total	**119**	**100%**

Source: SQW Beneficiary Survey.

Table B-11: On a scale of 1-5, how would you rate the application guidance? (n=119)

Responses	No.	%
1 - Very poor	0	0%
2 - Poor	5	4%
3 - Average	13	11%
4 - Good	37	31%
5 - Very good	62	52%
Don't know / not applicable	2	2%
Total	**119**	**100%**

Source: SQW Beneficiary Survey.

Table B-12: On a scale of 1-5, how would you rate the application form? (n=119)

Responses	No.	%
1 - Very poor	2	2%
2 - Poor	5	4%
3 - Average	11	9%
4 - Good	35	29%
5 - Very good	64	54%
Don't know / not applicable	2	2%
Total	**119**	**100%**

Source: SQW Beneficiary Survey.

Table B-13: On a scale of 1-5, how would you rate the timeliness of feedback? (n=119)

Responses	No.	%
1 - Very poor	2	2%
2 - Poor	7	6%
3 - Average	16	13%
4 - Good	22	18%
5 - Very good	69	58%
Don't know / not applicable	3	3%
Total	**119**	**100%**

Source: SQW Beneficiary Survey.

Table B-14: On a scale of 1-5, how would you rate the level of funding available in relation to the size your business and requirements? (n=119)

Responses	No.	%
1 - Very poor	23	19%
2 - Poor	16	13%
3 - Average	19	16%
4 - Good	28	24%
5 - Very good	29	24%
Don't know / not applicable	4	3%
Total	**119**	**100%**

Source: SQW Beneficiary Survey.

Table B-15: Overall, on a scale of 1-5, how would you rate your level of satisfaction with the support from the Fund? (n=119)

Responses	No.	%
1 - Very dissatisfied	11	9%
2- Dissatisfied	15	13%
3 - Neither	12	10%
4 - Satisfied	32	27%
5 - Very satisfied	48	40%

Responses	No.	%
Don't know	1	1%
Total	**119**	**100%**

Source: SQW Beneficiary Survey.

Achieved and expected outcomes

Table B-16: Did the funding lead to any of the following benefits? (n=119)

Responses	No.	%
Improved business resilience	93	78%
Safeguarded business sales/ turnover	74	62%
Jobs safeguarded	74	62%
Increased business sales/ turnover	12	10%
Increase in number of jobs	8	7%
Total respondents	**261**	**N/A**

Source: SQW Beneficiary Survey. Note this was a multi-response question.

Table B-17: On a scale of 0-5, how would you rate the resilience of your business prior to receiving the grant support? (n=118)

Responses	No.	%
0 - Zero resilience	1	1%
1 - Very low resilience	9	8%
2 - Low resilience	30	25%
3 - Average resilience	46	39%
4 - Good resilience	25	21%
5 - Very good resilience	4	3%
Don't know	3	3%
Total	**118**	**100%**
No response	**1**	**N/A**

Source: SQW Beneficiary Survey.

Table B-18: On a scale of 0-5, how would you rate the resilience of your business now? (n=116)

Responses	No.	%
0 - Zero resilience	-	-
1 - Very low resilience	2	2%
2 - Low resilience	15	13%
3 - Average resilience	42	36%
4 - Good resilience	49	42%
5 - Very good resilience	7	6%
Don't know	1	1%
Total	**116**	**100%**
No response	**3**	**N/A**

Source: SQW Beneficiary Survey.

Table B-19: What do you think the resilience of your business would be now if you hadn't received the grant support? (n=119)

Responses	No.	%
0 - Zero resilience	4	3%
1 - Very low resilience	22	18%
2 - Low resilience	43	36%
3 - Average resilience	43	36%
4 - Good resilience	5	4%
5 - Very good resilience	-	-
Don't know	2	2%
Total	**119**	**100%**

Source: SQW Beneficiary Survey.

Table B-20: What was the value of the safeguarded sales? (n=74)

Responses	No.	%
£0–£1k	2	3%
£1k–£5k	12	16%

Responses	No.	%
£5k–£10k	6	8%
£10k–£25k	5	7%
£25k–£100k	7	9%
£100k+	6	8%
Don't know	36	49%
Total	**74**	**N/A**

Source: SQW Beneficiary Survey.

Table B-21: What was the value of the additional sales? (n=7)

Responses	No.	%
£1k–£5k	2	29%
£5k–£10k	2	29%
£10k–£25k	1	14%
Don't know	2	29%
Total	**7**	**N/A**
No response	**5**	**N/A**

Source: SQW Beneficiary Survey.

Table B-22: How many jobs were safeguarded? (n=72)

Responses	No.	%
<1	2	3%
1–2	38	53%
3–5	18	25%
6–10	6	8%
11+	8	11%
Total	**72**	**N/A**
No response	**2**	**N/A**

Source: SQW Beneficiary Survey. Note answer is in FTEs.

Table B-23: How many jobs were created? (n=5)

Responses	No.	%
<1	1	20%
1	3	60%
2	1	20%
Total	**5**	**N/A**
No response	**3**	**N/A**

Source: SQW Beneficiary Survey. Note answer is in FTEs.

Table B-24: Do you expect the funding will support business growth in the next 2 years? (n=119)

Responses	No.	%
No	64	53%
Yes	23	19%
Don't know	32	28%
Total	**119**	**100%**

Source: SQW Beneficiary Survey.

Table B-25: Please provide an estimate for expected growth in the next 2 years that the funding will support. In terms of number of jobs created. (n=13)

Responses	Count	% of respondents
<1	1	8%
1–2	5	38%
3–5	3	23%
Don't know	4	31%
Total	**13**	**N/A**
No response	**10**	**N/A**

Source: SQW Beneficiary Survey.

Table B-26: Please provide an estimate for expected growth in the next 2 years that the funding will support. In terms of increase in turnover. (n=16)

Responses	Count	% of respondents
£0–£1k	2	13%
£1k–£5k	2	13%
£5k–£10k	2	13%
£10k–£25k	3	19%
£25k–£100k	1	6%
Don't know	6	38%
Total	**16**	**N/A**
No response	**6**	**N/A**

Source: SQW Beneficiary Survey.

Additionality

Table B-27: Given what we have discussed about the business benefits of the Fund and other factors affecting your business, what do you think would have happened without IBRF? (n=119)

Responses	No.	%
The benefits would have occurred anyway, at the same speed, scale and quality	1	1%
There would have been some benefits but not to the same extent	29	24%
The benefits would not have occurred at all	51	43%
Not applicable - no benefits achieved	13	11%
Don't know	25	21%
Total	**119**	**N/A**

Source: SQW Beneficiary Survey.

Table B-28: Please specify how the benefits would have been different. (n=29)

Responses	No.	%
The benefits would have occurred but taken longer	14	50%
The benefits would have occurred but at a smaller scale	22	79%

Responses	No.	%
The benefits would have occurred but at a lower quality	6	21%
Total	**29**	**N/A**

Source: SQW Beneficiary Survey. Note this was a multi-response question.

Annex C: The Data City business estimates

C.1 As part of the review, we drew on data from the online business database 'The Data City' to estimate the number of businesses in the eligible sectors on each island. It should be noted that The Data City platform only considers businesses that are formally registered.

C.2 The process involved using the Data City platform to filter for all businesses in the four relevant local authority areas with at least one IBRF-eligible island within them (North Ayrshire, Argyll and Bute, Highland and Na h-Eileanan Siar), for businesses that belong to one or more of the SIC codes that HIE used for the eligibility criteria, and for businesses with less than 200 employees.[18] This includes both businesses that are registered in these local authorities, as well as those with a trading address in those localities. 4,279 unique businesses were identified using this methodology.

C.3 The details for each of these businesses were extracted from the Data City platform, and – using the provided postcodes for trading locations - every trading location was mapped using GIS software. Businesses with at least one trading location on an IBRF eligible island were extracted, and the island of each trading location was assigned to the relevant island. These were extracted out of the GIS software for direct comparison with the figures in the HIE options and appraisal document.

C.4 **The Data City estimate for the number of eligible registered businesses is 10% lower than the HIE estimate**. The Data City number presented below is an over-estimate because it may include some double counting (when an eligible business has trading locations on more than one island). The full results are presented below in Table C-1.

C.5 **Note that this analysis does not include unregistered businesses**. Therefore, in two cases the Data City estimates are smaller than the number of supported businesses (Mull and Small Isles). It is also worth highlighting that the analysis does not account for other eligibility criteria including turnover levels and value of on-island revenue.

Table C-1: Data City and HIE estimates of eligible registered businesses

	Number of supported businesses	Data City estimate of eligible registered businesses	HIE estimate of eligible registered businesses
Total	**443**	**617 (598 excl Iona)**	**666 (excl Iona)**
Arran	125	146	114
Barra	19	38	42

[18] Businesses were not filtered by turnover because these figures are frequently not reported by small businesses to Companies House, the main database that The Data City uses.

	Number of supported businesses	Data City estimate of eligible registered businesses	HIE estimate of eligible registered businesses
Benbecula	20	30	44
Berneray	2	3	5
Coll	5	8	6
Colonsay	11	12	6
Eriskay	3	7	5
Grimsay	3	3	6
Iona	13	19	*
Islay	42	98	146
Jura	8	19	12
Mull	106	101	142
North Uist	31	42	44
Small Isles	14	13	7
South Uist	20	40	56
Tiree	20	36	24
Ulva	1	2	7

*Source: SQW analysis of IBRF Monitoring data, the Data City data, HIE data – * HIE estimates not produced for Iona*

SQW

Contact

For more information:

John Nolan
Director, SQW
T: 0131 255 4007
E: JNolan@sqw.co.uk

9 Coates Crescent
Edinburgh
EH3 7AL

www.sqw.co.uk

About us

SQW Group

SQW and Oxford Innovation are part of SQW Group.
www.sqwgroup.com

SQW

SQW is a leading provider of research, analysis and advice on sustainable economic and social development for public, private and voluntary sector organisations across the UK and internationally. Core services include appraisal, economic impact assessment, and evaluation; demand assessment, feasibility and business planning; economic, social and environmental research and analysis; organisation and partnership development; policy development, strategy, and action planning.
www.sqw.co.uk

Oxford Innovation

Oxford Innovation supports economic growth by providing businesses with Advice, Finance and Space. Oxford Innovation Advice is the UK's outstanding provider of business support for SMEs, providing specialist expertise to help businesses accelerate their growth and fulfil their potential. Oxford Innovation Finance is a specialist in providing growth and development capital for ambitious and innovative businesses. Oxford Innovation Space helps to transform local economies by creating environments where dynamic and innovative businesses come together and thrive.
www.oxfordinnovation.co.uk