

# Unsafe Edinburgh schools expose scandal of privatisation

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In January, Storm Gertrude blew down a wall at Oxfangs Primary School in Edinburgh, Scotland. No one was injured and the school opened after a few days, but in March investigations into the collapse revealed “serious defects” in the 10-year-old building’s construction.

Thereafter, 17 schools across the city were closed when Edinburgh Schools Partnership (ESP), the private consortium that built and manages the schools, was unable to offer assurances that the buildings were safe. Over 8,000 pupils were told their schools could be closed indefinitely.

At the time of writing, 16 of the schools remain closed; their pupils bussed around the city to alternate schools and temporary classrooms. ESP has still not completed a survey of affected buildings.

Faults so far revealed focus on the metal ties holding the inner and outer brick walls together. These appear to have been either too short to safely strengthen the outer wall, despite being embedded in mortar, or, in the case of “header” ties that should be placed at the top of the walls, missing altogether. That such elementary faults should only come to light because of a collapse testifies to extraordinary incompetence, dangerous short-cutting and a complete lack of independent oversight of the buildings’ construction.

ESP’s inability to provide any reassurances regarding the remaining schools indicates a possibility that all 16 schools are suffering from the same fault. Some reports suggest they may all need to be pulled down and rebuilt.

All 17 schools were part of a £360 million deal between Edinburgh City Council and ESP under the then Public Private Partnership (PPP) scheme launched in 2001 by the Labour government of Tony Blair. ESP effectively built and owned the schools, renting them

back to the city council under a lucrative long-term contract. ESP originally included Miller Construction and Amey Asset Services. Finance was provided by the Bank of Scotland and the European Investment Bank.

Similar arrangements were used across the UK.

Scotland saw a rash of school and public building contracts. Glasgow City Council, for example, demolished and rebuilt as many as 29 schools, many of them unnecessarily, under a £1.2 billion project run by the 3ED consortium that included the lender Halifax, Hewlett Packard and, again, Miller Construction. In the light of the Edinburgh fiasco, Glasgow has been forced to survey many of its recently built schools, as have Fife and Stirling. Many other authorities, including NHS Grampian and Aberdeen, have raised concerns about other buildings constructed by Miller.

Commenting on the experience, leading Edinburgh architect Malcolm Fraser told the press, “Everyone realised these buildings were shoddy ... and in terms of quality of the environment made for children and financially they were unbelievably expensive.”

Fraser, who resigned in 2007 from an architectural advisory panel to the Scottish Executive, said of the lack of scrutiny, “Contractors are entrusted to police themselves, so in cases like this there is no independent engineer, no independent architect tasked to stand outside the process, inspect the work and ensure these sort of things don’t happen.”

Fraser implied other problems might be waiting to be discovered: “When everything is covered up it’s very hard to tell where these other problems might lie. You almost need to take a school to bits to find out that these issues are there. You don’t really understand there is a problem until something catastrophic goes wrong...”

According to the *Scotsman*, untangling corporate

responsibility for the disintegrating Edinburgh schools will be difficult. While Miller Construction has now been purchased by FTSE 250 construction group Galliford Try, as many as six other firms were involved in the construction work and nine offered professional advice, design and planning.

But the Oxfangs collapse has exposed more than shoddy construction. The missing ties, which could easily have caused fatalities, express an extraordinary transformation, in which social spending under successive Scottish governments has been subordinated to a complex tangle of financiers and offshore infrastructure funds.

Started under the Conservative's Private Finance Initiative, extended by Labour's Public Private Partnership, the process has continued under the Scottish National Party (SNP) and its funding vehicle the Scottish Futures Trust.

Shareholders, for example, in ESP's parent company, ESP (Holdings) Ltd, include Luxembourg-based Palio (No 19) Limited, PFI Infrastructure Finance Limited is owned by Jersey-based 3i, while Semperian PPP Investment Partners No 2 Limited is also controlled by a Jersey-based group. Aberdeen Infrastructure (No 3) Limited's registered office is in Canary Wharf, London.

Reselling of interests in the Special Purpose Vehicles set up for each project has resulted in a host of investment outfits holding stakes in schools, hospitals, community centres and other public buildings, deriving guaranteed revenue streams from them. 3i, for example, in addition to its share in Edinburgh's schools, has a stake in Angus schools, Gartnavel Royal Hospital, an elderly care centre in Edinburgh, and Midlothian Community Hospital. The PFI scheme for East Dunbartonshire is 50 percent controlled by Inisfree Nominees Ltd, which is owned by Coutts and Co Trustees (Jersey). Coutts is in turn part of RBS. Semperian PPP Holdings owns the other 50 percent of the East Dunbartonshire project.

Over a period of many decades, this bewildering range of companies are set to profit hugely from ongoing PPP and PFI projects. Over the lifetime of the Edinburgh schools project alone, for example, some £532 million is expected to be handed over by Edinburgh City Council for buildings whose total capital value is only £129 million. The *Guardian*

reported that, in total, as of April 2013 Scottish local authorities alone owed £12.5 billion in PFI-related payments that will peak in 2025 at £550 million a year, and will not be cleared until 2041.

A raft of new projects are being organised under the auspices of the Scottish Futures Trust (SFT). Presented by the SNP as a "non-profit" model of financing public projects, the SFT, chaired by Sir Angus Grossart who also chairs Noble Grossart merchant bank, is nothing of the sort. In comparison with the PFI and PPP schemes, there appears to be somewhat more oversight of spending plans, but the basic arrangement is the same. Private consortiums mobilised by the SFT carry the upfront costs for new buildings and infrastructure. In return, they are guaranteed decades of repayments and maintenance costs.

The *Guardian* reported that Aberdeen's new western peripheral road will cost £469 million to build. But, via the SFT, contractors will recoup £1.45 billion over a 30-year contract. Taken together, the legacy of PPP and PFI obligations, combined with new SFT contracts, means that the Scottish government is likely to have run up £50 billion of debts by 2020, compared with an annual budget of £30 billion. Scottish local authorities carry an additional £14.8 billion of debt.

The consequences are predictable: An ever increasing pressure on already stressed public finances to maintain expensive, unsupervised and often unnecessary contracts will result in endless demands for the further evisceration of social spending on services to the most vulnerable. None of this has featured in the Scottish general election, to be held May 5. Since all the parties are implicated in the private finance schemes, none has the slightest interest in highlighting, let alone opposing, their consequences.



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