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**REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN
PARLIAMENT**

The European Schools' system in 2010

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The European Schools' system in 2010

1. INTRODUCTION

1. The main challenge for the system of the European Schools under the Slovenian and Slovak presidencies in 2010 has been to deal with the overall economic situation and its impact on the schools' finances.

Given the rising public contribution to the budget of the European School system, partly due to diminished revenue from contracts with outside organisations and school fees, the Board of Governors, with the support of the Commission, made the approval of the 2011 budget conditional on a revision of certain expenses.

To fulfil these conditions, the adaptation of the salary grid for new seconded teachers was adopted in December 2010, based on a Commission proposal. A proposal to adjust the salaries of locally recruited staff accordingly is the next step. These measures were necessary to apply the principles of the 2004 Staff Regulations reform to the European Schools conditions of employment. Clear criteria were tabled to improve the integration of children with special educational needs into teaching, prioritise pedagogical needs whilst respecting the available resources, and take a more cost-efficient approach to organising studies and courses. Ideally these measures should be taken for the school year 2011/2012. At the same time, regulations for SWALS pupils (students without a language section) will be clarified to prevent a repeat of past misunderstandings.

Following difficult negotiations between the European Parliament and the Council, the 2011 budget of the European Union, for the first time adopted under the Lisbon Treaty, was only agreed to in December. It gave a smaller increase in the budget of the European schools than expected, meaning that measures must be taken immediately to yield real savings.

2. The reform process of the European Schools' system, formally decided in spring 2009 after an initial transition phase, is gradually progressing. To render the system more efficient in terms of governance, reforms at central and local level to give more autonomy to local schools within the boundaries of the rules and financial regulations are being put into practice.

Several local schools have asked for accreditation, allowing more children to benefit from the European Curriculum. The Commission took a big step forward by adopting the legal basis to put into effect the EU financial contribution for children of staff attending accredited schools.

3. Efforts on cost sharing have not reached the level required. In addition to the problem of a constant lack of seconded teachers and the resultant increase in the EU contribution (€2.2 million in 2010), some Member States have already stated that they will have important difficulties to second teachers to newly created posts.

4. The schools in Brussels and Luxembourg still suffer from overpopulation but the building works for the two new schools to open in 2012 are progressing according to schedule. Since

the school population in Brussels is still expected to grow, the Board of Governors agreed to create a fifth school in Brussels in 2015. Solutions to the problem of overpopulation in the Frankfurt school are being examined with the German Authorities.

2. SITUATION IN THE SCHOOLS

2.1. Alicante

The school population in Alicante rose slightly by 112 new pupils to reach 1040 pupils in four linguistic sections. The Spanish section is the biggest with 36.5% of the population.

2.2. Bergen

Pupil numbers rose slightly by about 4% from 586 for the school year 2009/2010 to 608 for the school year 2010/2011. The parents of the vast majority of pupils (over 80%) are not employed by a European institution or agency. This means that Bergen is one of the schools with the lowest proportion of children of staff of the institutions. Major work on the sports hall and the air conditioning system has been postponed until summer 2011.

2.3. Brussels

The pupil population in the European Schools in Brussels increased from 9547 pupils during the school year 2009/2010 to 9847 in 2010/2011 (up 3.1%). As a result, overpopulation continued in the three overcrowded schools (Brussels I, II and III) where the use of the common facilities, such as playgrounds, sports halls and canteens, were stretched even further.

However, the school in Uccle did see a slight reduction from 3112 to 3074 pupils since last year (-1.2%). The school focused on security this year to improve procedures.

The school in Woluwe saw an increase of 1.9% of its population from 3030 pupils to 3089 pupils and its infrastructure continued to pose great challenges for the practical organisation of school life. On the positive side, the building works to create a bus stop outside the school premises started in autumn 2010 and are expected to be operational for the start of the school year 2011/2012. This would mean that the buses (almost 50) will no longer park on the school playground on a daily basis.

The school in Ixelles welcomed 91 more pupils in 2010 to reach a total population of 2902 pupils (2811 for the school year 2009/2010). Its population increased by 3.2% in September 2010.

The school of Brussels IV saw the sharpest rise in school population of 26.6%, from 594 pupils in the school year 2009/2010 to 809 pupils for the school year 2010/2011. In September 2010, the first year of secondary school was opened. The Belgian authorities provided additional infrastructure in form of the building 'Berkendael 66', which was renovated and added to the temporary site of Brussels IV. Vice-President Šefčovič and Minister Simonet inaugurated the building during an official ceremony.

The Brussels schools welcome 43.3 % of the entire population of European schools.

Given the estimates of further rises in the demand for schooling, especially children of staff following recent enlargements of the EU, the Board of Governors decided that a 5th school would be needed in 2015. The Commission, in its role as representative of the EU, fully supports the project. It has informed the budgetary authorities and followed the procedure in Article 47 of the Interinstitutional Agreement on budgetary discipline and sound financial management.

After several years' discussions on an external audit to evaluate the capacity of the Brussels' schools, the interested parties (Régie des bâtiments, Commission, Office of the Secretary-General) decided not to undertake the audit for budgetary reasons and agreed to set the capacity of the schools as follows:

Brussels I (Uccle):	3100
Brussels II (Woluwé):	2850
Brussels III (Ixelles):	2650
Brussels IV (Laeken):	2800

2.4. Culham

In line with the decision of the Board of Governors of 2007, steps were taken to gradually phase out until 2017 the type I European school and transform it into an 'Academy' under the national British education system as accredited type II school. However, in the beginning of 2011, the British sponsor reversed this decision. As a consequence, the initial decision of the Board of Governors, also taken in 2007, to phase out the school gradually in view of a final closure in 2017 will be implemented (see 4.3. below).

2.5. Frankfurt

The school population has a high growth rate as a result of the increase in the number of staff at the European Central Bank. It faces real saturation problems since the German authorities have not yet made the necessary improvements to its infrastructure. The school plans to introduce an enrolment policy.

In December 2010, the Board of Governors endorsed the proposal to make a gradual reduction in the contribution from the Italian government and from the ECB to finance the Italian language section, which puts an additional strain on the schools' finances. A contract between the Secretary-General, the Italian government and the ECB was the basis for creating the Italian section in 2002.

2.6. Karlsruhe

The school population was stable but the proportion of pupils that are category 1 pupils¹ was still well below 20%: for the school year 2010/11, the population in the European School in Karlsruhe was 952 pupils, with 177 category 1 pupils (18%), 267 category 2 (28%) and 508 category 3 pupils (54%). Out of the 177 category 1 pupils,

¹ Category 1 pupils are pupils who have to be admitted by the European Schools. These pupils are exempt from school fees.

68 are children of school staff, and only 109 (11% of the school population) are children of staff of the European institutions. Karlsruhe has the highest number of contracts with companies (category 2 pupils).

2.7. Luxembourg

The site of Luxembourg I school currently hosts the temporary set-up of the Luxembourg II school. Overcrowding is a serious problem in the Luxembourg European Schools and consequently, a restrictive enrolment policy is applied to the children of non-EU staff.

The Commission welcomes the additional transitory infrastructure provided by the Luxembourg authorities in September 2010 on the Luxembourg I, (Kirchberg site) to meet the needs. However, the additional infrastructure also means an increase in the school's population on the site, and therefore exacerbates overcrowding. The permanent structure of the Luxembourg II school is planned to open in 2012 in Bertrange Mamer. In the meantime, overpopulation is critical and the timing of the opening of Luxembourg II is absolutely crucial.

The Luxembourg authorities have offered to organise transport for pupils attending Luxembourg II, and discussions on the practical aspects continued during the year. Since Luxembourg II is located in Betrange/Mamer, adequate transport is of crucial importance to pupils and parents. School transport is normally organised by the parents' association in the European Schools so the offer by the Luxembourg authorities to take on this responsibility on board is exceptional.

2.8. Mol

The school population in Mol continues to grow, reaching 790 pupils in September 2010. The new English section continued to prosper and is now the second most populous section. The German section is still decreasing, 46 pupils down from 77 the previous year. The development and sustainability of the German sections will need to be reviewed by the Board of Governors, as it was a condition for opening the English section.

2.9. Munich

The school continues to have a high growth rate, as a result of the increase in the number of staff of the European Patent Office, whose children account for over three quarters of pupils. Since construction of the annex to the current buildings, approved by the German authorities, is due to be finished in 2016, a restrictive enrolment policy will be adopted until then.

2.10. Varese

The school population remains stable, though, as a result of the economic crisis, the school has lost many children of staff of entities that had signed contracts with the school (category 2) and suffers from reduced income.

Following intervention by the Commission, the Italian authorities announced a payment of €400 000 to be invested in the infrastructure to meet the most urgent needs.

3. BUDGETARY DEVELOPMENTS AND CHALLENGES

3.1. Figures for the execution of the 2010 budget

The total number of pupils rose by 2% from 2009 to 2010, from 22.331 to 22.778. The share of children of EU staff (16 613 pupils) was about 73% of the total population, whereas children of staff from entities having signed contracts with the school fell to 5.2% (1184 pupils) and children of private families fell to 21.9% (4981 pupils). However, some small schools still have a very limited number of category 1 pupils.

3.2. Main events

In December 2009, the Council of Minister's decision granted a salary increase of 1.85% for staff of the institutions, instead of the 3.7% according to the implementation of the salary method. The European institutions instigated a procedure before the European Court of Justice, which backed them in December 2010. The salary adjustments for teachers and seconded staff in the European Schools' system are linked to the above decisions. As a result, the first salary increase was approved by the Board of Governors in January 2010, a commitment corresponding to the amount of €3.1 million was carried over and payments were made in 2010.

In August 2010, the Board of Governors adopted an amending budget to insert the €3.1 million mentioned above, a final surplus from 2009 of €2.8 million and expenditure savings of €1.5 million to compensate for a shortfall of other income of €4.1 million.

2010 ended with a surplus of €1.7 million. The lack of seconded staff accounted for an additional budgetary strain of €2.2 million compared to €2.1 million in 2009 on the EU budget and posed major pedagogical problems. Teachers not provided by the Member States are to be replaced by locally recruited staff, financed to a large extent by the EU budget. This phenomenon is likely to increase since some Member States have already informed the Board of Governors that in the current economic context they may not be in a position to second teachers for new posts. This will lead to increased structural problems.

Given the discovery of non-compliance with the rules governing some classes of mother tongue language in five schools for students without a linguistic section, the Commission was not in a position to discharge the 2008 budget at the Board of Governors meeting in April 2010. As a result, the schools were asked to submit details of the number of courses created that did not comply with the rules in previous years to enable the Commission to calculate the amounts to be recovered. Since the schools made efforts to rectify the situation, wherever pedagogically feasible, the Commission only initiated one recovery order, to the European School in Karlsruhe.

3.3. 2011 Draft Budget

The 2011 draft budget, approved by the Board of Governors in April 2010, showed an increase in the Commission's contribution of 11%, from €154 million to

€171 million, while for the same period the number of pupils increased by 3.6%. Therefore, the draft 2011 budget was adopted under the condition that structural measures be taken to reduce expenditure, in particular on revising the salary grid of seconded teachers, organisation of courses and classes and definition of criteria for SEN children (for more details, see point 5).

Since 85 % of the budget of the European Schools is spent on salaries, which depend on remuneration and the amount of classes given, these measures provide for real economies.

The 2011 budget of the European Union was adopted in December 2010, for the first time according to the procedures under the Lisbon Treaty. It was the product of difficult negotiations between the European Parliament and the Council. The allocation for the European Schools was set at €164 million. This exceptional situation reinforced the need to implement the above-mentioned measures.

As a consequence, the Board of Governors implemented its 2011 budget in twelve instalments, and the 2011 amended budget was approved in April 2011.

4. POLITICAL DEVELOPMENTS AND CHALLENGES

4.1. Reform

In 2009, the Board of Governors adopted the decision on reform of the European Schools. It entered into force on 1 September 2009 for organisational issues and on 1 September 2010 for internal rules on the functioning of the Administrative Board, after a review of existing rules.

One of the major aspects of the reform is to open up the European Schools' system to national schools. This process was launched by European Parliament Resolutions in 2002 and 2005, and started with the definition of criteria and approval for European schooling in 2005. In the light of the first few years of experience, the Secretary-General (SG) presented a review of the situation, showing that although the process had benefited from political will of the European Parliament and real educational needs (after enlargement, many agencies opened up in the Member States), it had been hampered by legal educational, organisational or financial concerns, especially relating to the European Baccalaureate. The SG was given a mandate to submit proposals for improvement to be discussed at the Board of Governors in April 2011.

At present, five accredited type II schools, close to European institutions or agencies in Italy, Ireland, Greece, Finland and France deliver the European curriculum. They differ a lot in organisation, size, number of language sections offered and number of children of EU staff in the school. So far only the Italian school has held European baccalaureate examinations. The second school to join in 2013 is due to be the Finnish school, whose dossier of conformity for S6-S7 (the second phase of the accreditation process) was approved by the BoG in December.

Two more schools in Manosque (France) and in The Hague (Netherlands) are in the process of accreditation for type II schools.

The dossier of conformity of a German school in Bad Vilbel has been approved for a first project of a type III school, which does not require proximity to an EU institution or agency.

One big step forward has been taken by the Commission's decision to grant an EU contribution for each child of EU staff in type II schools, for the first time for the school year 2009-2010. This is a way to help the schools cope with the additional costs arising from European schooling and the baccalaureate.

The project to transform the European school in Culham into a type II school was cancelled by the British authorities (see 4.3.)

The problem of insufficient number of seconded teachers from the Member States was addressed under the 'cost-sharing' part of the reform. It was agreed to open up the possibility for countries to second non-native speakers to reduce the burden on the Member States seconding teachers for the three vehicular languages. However, after two years, only a few Member States are prepared to fill these posts.

Concerning governance at central and local level, it was agreed to increase the autonomy and responsibilities of schools at local level. Implementation is a gradual process and best practice is being developed.

At the Administrative Board meetings in the autumn, the schools presented all the statistical data of the new school year. In line with procedures, at the beginning of the year, schools present their annual and multi-annual school plan with their objectives, priorities and the draft budget. In springtime, the school presents the annual activity plan to the Secretary-General and the Board of Governors, assessing whether the objectives have been met and the budgetary limits respected. This enables checks to be made at central level.

4.2. Internal Audits

The Commission's Internal Audit Service (IAS) continues to perform the internal auditing function in the European Schools system, which was created under the Financial Regulation that entered into force in 2007.

The results of an audit of human resources management conducted by the IAS were presented to the Board of Governors at its April 2010 meeting, together with the responses and action plans of the Office of the Secretary-General and of the Schools. Further progress was made during the year on implementing the recommendations made in the audit, particularly on staff recruitment, evaluation procedures and development of a training policy. Additional efforts are required to progress on the 'cross-cutting issues' identified by the IAS that concern the system as a whole, such as the corporate responsibilities of the General Secretariat.

4.3. Culham

Several steps were taken to continue to transform the type I European School into an accredited type II school within the European School system and an 'Academy' under the British education system until 2017, thus paving the way to offer in the future a European curriculum and deliver the European Baccalaureate.

The conformity dossier, the second step in the accreditation process, was accepted by the Board of Governors in December, subject to the condition that a legally binding document be signed between the stakeholders in order to confirm the reciprocal commitments ('legacy agreement') and that bilateral agreements between the seconded staff and the Academy be signed ('secondment agreements').

Much effort and energy was invested in the transformation project, especially by the Secretary-General and the Commission. The Commission created a new legal base for this special case of accreditation, the first transformation of a type I school into a type II school. Major negotiations on budgetary and legal issues took place between the parties involved. At the beginning of this year, the British sponsor withdrew its commitment to the transformation procedure, stating that he was not in a position to sign a legally binding agreement as requested by the European Commission.

Since the transformation into an Academy failed, the initial decision of the Board of Governors taken in 2007 to phase out the school gradually with final closure in 2017 will be implemented.

4.4. Overcrowding/infrastructure

In several locations, the demand for places has exceeded supply for several years. The schools most affected by this situation are in Brussels, Luxembourg, Frankfurt and Varese. The Commission followed this situation closely and where necessary, has contacted the national authorities to remind them to fulfil their obligations as a host country to the institutions and to provide adequate facilities for the European Schools. Relief for the schools in Brussels and in Luxembourg is expected in 2012 with the opening of the two new schools.

Overpopulated schools need to apply a restrictive enrolment policy and are in many cases unable to accept local children whose parents are not staff of EU institutions. In Brussels, a Central Enrolment Authority is in charge of distributing places to the schools.

In 2010, the Board of Governors concluded that, due to further increase in the school population, a 5th school was needed in 2015. Negotiations with the Belgian government on the location and further details of the school have not started yet. Based on previous experience, the annual cost for a school of 2500 pupils is estimated to be around €28 million when full capacity is reached, after a phasing-in period of 5 years.

4.5. Legal cases

In 2009, a series of applications were made at the Court of Justice. These were one infringement case against Belgium concerning the contributions for furniture and other at the European Schools in accordance with the seat agreement (C-132/09 Commission/Belgium). The second was a preliminary ruling request put forward by the complaint boards set up by the European School Convention concerning the adjustment of pay of English teachers in case of currency fluctuations (C-196/09 Miles ea v. European Schools). The third case was the first request under Art. 26 of the European School Convention in a dispute between two parties of the Convention

regarding the interpretation and application of the employment conditions for seconded teachers.

It is noteworthy that in the first two cases, C-132/09 and C-196/09 the Court considered that it lacked jurisdiction both for disputes arising from seat agreements in the context of infringement procedures as well as for preliminary ruling request brought by the complaint boards set up by the European School Convention as the latter were not jurisdictions of the Member States within the meaning of Art. 267 TFEU. In case C-196/09 the Court stated explicitly "it must be observed that while it is possible to envisage a development, along the lines described in the previous paragraph, of the system of judicial protection established by the European Schools' Convention allowing for the complaint boards to make preliminary ruling requests, it is for the Member States to reform the system currently in force.

Case C-545/09 Commission v UK is still pending. Advocate General Mengozzi in his opinion of 7.7.2011 concluded in favour of the Commission.

Finally, a locally recruited teacher in Belgium has brought a legal case before the national court concerning payment of holiday allowance before 2004. A judgment is expected in 2011 on the extent of retroactivity of this payment, in principle before 2004. The payment itself has already been judged as legitimate. The outcome of the ruling on the extent of retroactivity will have major budgetary consequences, especially as another 26 locally recruited teachers have made the same claims. The case is still proceeding.

5. PEDAGOGICAL AND ORGANISATIONAL DEVELOPMENTS AND CHALLENGES

5.1. Revision of the salary grid of seconded teachers/*charges de cours*

The Staff Regulation of seconded teachers states that there is a degree of equivalence between staff of the institutions and seconded teachers in the European School system. However, when the reform took place for staff of the EU institutions in 2004, the salary grid of seconded teachers was not adjusted accordingly. In December, the Board of Governors adopted a revision of the regulations to be implemented for the recruitment of new teachers for the school year 2011/2012. Teachers already in service would not be affected by these changes. Savings would be made gradually over the coming 9 years and yield approximately €3.1 million a year with a total saving of more than €27 million by the end of the transition period. The same pay revision process was subsequently initiated for locally recruited teaching staff.

5.2. The European baccalaureate reform

As part of the process to open up the system, steps had to be taken to simplify the baccalaureate organisation and to cut costs, without jeopardising the baccalaureate's quality. Since 2009, the objectives of the baccalaureate reform are to review and revise its content and its organisation, so that it meets the current requirements of universities and/or of other higher education institutions, and also to simplify the process aimed at making it more widely available.

In December 2010, the Board of Governors approved some proposals submitted in 2010 that are due to enter into force as of the 2012 baccalaureate. The Baccalaureate certificates will be signed by a central authority, the European Baccalaureate registration fee will increase and only candidates who have achieved a final mark of 60% or more will be deemed to have passed.

The mandate of the 'European Baccalaureate' Working Group was extended for one year since various pedagogical and organisational issues (such as the number and nature of written and oral examinations, double marking, dematerialised correction of the Baccalaureate written examinations and the introduction of a cross-curricula project under the Baccalaureate examination as a response to the Lisbon Strategy, the compulsory 180 days of schooling and harmonisation of the assessment criteria for written and oral examinations) are still under discussion. The reform process is due to be completed for the 2014 Baccalaureate session.

5.3. Actions for pupils with Special Education Needs (SEN)

The number of SEN cases has increased substantially over the last three years. In parallel, SEN expenditure has grown over the same period by 27%. The Board of Governors of the European schools discussed this increase and reached the conclusion that 'the growth in the SEN budget had to be brought under control by setting strict criteria for expenditure on pupils' integration into teaching and excluding other expenditure on therapeutic provision, which should not be defrayable by the schools.

Some measures were taken in 2010. The inspectors produced a vademecum on SEN to harmonise SEN provisions and share good practice between schools. Schools now group SEN pupils with similar types of needs together for support lessons and the principle of a tripartite agreement between the school, parents and therapists has been reached to organise therapy sessions on school premises paid for by the parents.

The Commission fully supports these measures which will allow schools to continue their efforts to integrate children with special education needs while focusing on pedagogical issues to help SEN children to progress and schools to make optimal use of their resources.

5.4. Repeat rates

A general discussion on the issue of repeat rates began in 2009 after the presentation of statistical analyses of the number and percentage of repeat rates, by year, by language section and by school. After further study and an analysis carried out by the Secretary-General, showing the highest repeat rates in the 4th and 5th year of secondary and in connection with science subjects, the Board of Governors decided to set up a working group with the mandate to draw up precise guidelines for structural measures and to ensure implementation through concrete pedagogical initiatives.

The working groups' final report, presented in autumn 2010, contains 19 measures. Some can be implemented immediately, some require more in-depth reflection and others can be implemented locally.

5.5. Organisation of courses and classes

The revision of the rules on the organisation of courses was one of the major points under discussion during the year. The challenge was to pool all the relevant decisions taken in the past, to clarify some of these decisions and to ensure a more rational organisation of teaching matching a realistic adaptation of the available budget with the real needs of pupils. Since all stakeholders are aware that economies need to be made, it is now possible to adopt measures that help yield savings and also redesign and optimise teaching methods.

Many measures were discussed in 2010, such as a reduction in the hours for small groups or the use of the second language for teaching to form groups of children with different languages. The rules for students without a language section were also clarified. These new, clarified rules will help Directors organise the options and groups for the school year 2011/2012.

6. FUTURE CHALLENGES

One of the major challenges for the years to come will be to maintain the high standard of education, whilst reorganising and modernising the structure of the Europeans Schools' system and respecting the budgetary restrictions imposed by the difficult financial circumstances that are unlikely to improve in the short term.

The future of the system also lies in opening up the system, in encouraging more national schools to apply for accreditation and in extending the European curriculum on a wider scale. This will be another area for future work.

Furthermore, the European Commission is concerned by the difficulties of certain Member States to meet their obligations, both in terms of infrastructure and in terms of seconding teachers. The Commission strives to create the best possible conditions for pupils within the given regulatory framework and budget allocated by the budgetary authorities.