

Report to the CERN Council CERN Finance Committee

367th Meeting of the
CERN Finance Committee
on 13 March 2019

Item 9 “Report by the Chair of the Finance Committee”

All the Member States were represented at the meeting on 13 March 2019.

- The Committee took note that, with 45.5% contributions already received, the status of payment of contributions was similar to that of previous years at the same period. The Committee recalled the terms of the Council's 2016 resolution on Greece's contributions (CERN/3258/RA) and, in particular, that the 15% cash reduction granted for 2017, 2018 and 2019, was to be compensated on terms to be determined by the Council in 2019, and agreed that the Chair should draw the Council's attention to the need for a decision to be taken in that regard by the end of the year.
- The Committee took note of a statement by Dr Steinacher that a cash shortfall was possible towards the end of the year, in which case small short-term loans or bank overdrafts would be required, and that advance contributions by the Member and Associate Member States in November/December 2019 would help mitigate the expected shortfall.
- Pension fund matters were reported by the PFGB Chair and CEO, and you will hear the main details from Dr Roth under Item 14 of today's agenda.

- The Finance Committee also heard interesting reports on CERN's knowledge transfer activities in 2018, by the head of the Knowledge Transfer group in the Industry, Procurement and Knowledge Transfer department, Dr Anelli, and on procurement activities in 2018 by the head of the Industry, Procurement and Knowledge Transfer department, Mr Lagrange.
- The Finance Committee approved 9 award-of-contract proposals for a total value of 54.1 MCHF, including
 - - four extensions or amendments to existing contracts
 - - one collaboration agreement
 - - four awards of contracts through tendering.

Item 11 “Annual Progress Report for 2018 ”

- The Finance Committee took note of the Annual Progress Report for 2018 and invited the Management to present a report on the findings and recommendations of the Finance and Human Resources review committee later in the year.

Item 12 “Information on the Medium-Term Plan for the Period 2020-2024”

The Finance Committee heard a report by the Director-General on the preparations for the 2020-2024 Medium-Term Plan to be submitted to the Council for approval in June, and welcomed her statement that the Management would continue to make every effort to identify savings and optimise the use of resources in order to keep the peak cumulative budget deficit below 390 MCHF.

Item 13 “Site and Building Renovation Status”

The Finance Committee heard an oral report by the Head of the Site and Management Buildings (SMB) department, Dr Miralles, on the status of the consolidation and renovation of site infrastructure and buildings, the associated planning and budget frameworks, the methodology for determining the strategy and priorities for new buildings and extensions, and the status of the 2030 CERN Masterplan.

The Finance Committee underlined the importance of keeping CERN’s infrastructure and buildings in a proper state of repair in spite of the tight budgetary constraints, and agreed that both the Management and the Member States should give serious consideration to ways of improving the situation and that the matter should be revisited later in 2019 on the basis of financial scenarios to be provided by the Management.

368th Meeting of the
CERN Finance Committee
on 18 and 19 June 2019

Item 8 “Report by the Chair of the Finance Committee”

All the Member States were represented at the meeting on 18-19 June 2019. We were pleased to welcome the Serbian members of the Committee for the first time since Serbia became a Member State of the Organization at the end of March.

- The Committee noted that 90.9% of contributions have already been received and that the prospects for the rapid settlement of the amounts outstanding appear to be good. Despite this, a cash shortfall is still possible towards the end of the year, in which case small short-term loans or bank overdrafts will be required. Advance contributions by Member and Associate Member States in November/December 2019 will help mitigate the possible recourse to short-term loans.
- The Committee took note of preliminary projections of the 2020 cost-variation index, which suggest an overall CVI of 2.6%. The main reason for this is the current forecast for the index for goods, consumables and supplies, at approximately 5.4 %. According to the "corridor" principle, Member and Associate Member State contributions can be indexed by 2% at most.
- The Committee approved a set of modifications to the Staff Regulations aimed at clarifying the legal framework governing duty travel undertaken by members of the personnel and at making the applicable administrative procedures more efficient and better suited to the needs of the Organization.

CERN Pension Fund

- Matters discussed at the recent meetings of the PFGB and its subcommittees were reported by the PFGB Chair, Dr Roth. The Fund achieved an investment return of 1.31% in 2018, which compared favourably with its peers. The Fund's Chief Investment Officer, Ms Manola-Bonthond, then informed us that the performance for the year to date in 2019 stands at 3.13%.
- The periodic actuarial review of the Fund, as at 1 January 2019, was presented to the Finance Committee by Mr M. Hurd, the representative of the Fund's Consulting Actuary, Buck. The funding level at 1 January 2016 is 67.8 % compared to 73.0 % at 1 January 2016. The projected funding level at 1 January 2041 is 103.4 % (previously 113.6 %). The Council will receive the same presentation under Item 14 of today's agenda.

Other matters

- The Committee heard detailed reports from the Director for Research and Computing, Professor Elsen, on progress with the ongoing experiment upgrades, and from the Director for Accelerators and Technology, Dr Bordry, on progress with the second long shutdown of the LHC and the injector complex as well as on the earned-value status of the LIU and HL-LHC projects, namely 78% for the LIU and 25% for the HL-LHC.
- The Committee also received a report on TREF from its Chair, Professor Åsman, and delegations requested the Management to investigate the possibility of scheduling future meetings during the weeks of the Council sessions so as to enhance attendance. Mr Geeraert, the Science Gateway project leader, presented a status report, and the European Strategy Secretary, Professor Abramowicz, relayed details of the discussions at the Open Symposium in Granada in May, in the context of the update of the European Strategy for Particle Physics.
- The Committee unanimously approved eleven award-of-contract proposals for a total value 75.1 MCHF, or with options included 85.4 MCHF, including two on behalf of the CMS collaboration for a total of 50 MCHF. It also gave the Management the green light to proceed with a best-value-for-money tendering process for a supply contract.

Item 11 “Medium-Term Plan for the Period 2020-2024 and Draft Budget of the Organization for the Sixty-Sixth Financial Year 2020” (CERN/SPC/1123-CERN/FC/6333-CERN/3430)

The Finance Committee heard an extensive presentation of the Medium-Term Plan by the Director-General, who explained in particular the reprofiling of accelerator consolidation and HL-LHC construction expenses in the years 2019, 2020 and 2021 and the resulting impact on the cumulative budget deficit (CBD) during the years 2019 to 2023 and beyond, and the resulting 50 MCHF increase in the peak CBD compared with previous plans, but also a faster decrease to zero than was previously planned.

The Finance Committee also took note that, in the current financial situation, with major projects being undertaken on constant budgets, there is no room for any new projects that might be recommended in the 2020 update of the European Strategy for Particle Physics until HL-LHC construction has been completed in 2026, at which time some limited investment in CERN’s scientific future will become possible.

After discussion, the Finance Committee decided, by 22 votes in favour, with one abstention (Austria), to recommend that the Council approve the overall strategy for the reference period as outlined in Chapter I of the document and elaborated upon in the Appendices (Chapter IV.1).

In a second vote, the Finance Committee decided, by 21 votes in favour, with two abstentions (Austria, Portugal), to recommend that the Council approve the 2020 Draft Budget in 2019 prices set out in Chapter III of the document.

Item 12 “2020 Budget: Scale of Contributions”

The Finance Committee unanimously decided to recommend that the Council approve the scale of contributions for 2020 set out in document CERN/FC/6334 CERN/3431, shown in percentages to be applied to the final 2020 Budget in 2019 prices.

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I will report on the other matters discussed and recommendations made by the Finance Committee under the corresponding items.