

Report to the CERN Council
Open Session
- 369th Meeting and
- 370th Meeting of the
Finance Committee

369: 25 September 2019

22 Member States were represented. One Member State (Portugal) was not represented as well as one Associate Member State (Slovenia).

- Regarding the status of the 2019 contributions, the Committee took note that 98.9% of the current year's contributions had been received to date, compared with 99.5% and 99% at the same points in 2018 and 2017 respectively, with amounts outstanding from Israel, Portugal and Slovakia. The Slovak delegation made a statement regarding the impending settlement of its contribution. The Committee expressed satisfaction at the generally good level of settlement of Member and Associate Member State contributions.
- The Committee received a presentation of the cash position and the cash-flow estimates for 2019 as at 20 September and noted that, according to the current forecast, potential cash shortfalls might appear towards the end of 2019 and that small short-term loans or bank overdrafts might thus be required.

Preliminary information on the 2020 cost-variation index

The Committee took note of a presentation by the FAP department head, Dr Sonnemann, who gave the committee some background information on the evolution of the euro/Swiss franc exchange rate and the Geneva consumer price index, and on the past trends of the “corridor principle” since its inception in 2008. He then informed the Committee that, according to the information currently available, the cost-variation indices for 2020 are projected to be as follows:

- an overall cost-variation index for the personnel budget of 0.76%,
- a materials budget cost-variation index of 4.10%;
- bringing the overall estimated cost-variation index to 2.40%.

Financial scenarios for a reinforced site maintenance and consolidation programme

The Finance Committee took note of Dr Steinacher's presentation which provided for different scenarios for funding. The Committee, after discussion, concluded as follows:

- personnel health, safety and working conditions are essential to delivering CERN's scientific objectives, so the maintenance and consolidation of infrastructure should thus be given high priority in the Organization's financial planning;
- Scenario A, i.e. an increase in Member and Associate Member State contributions, received little support;
- Scenario B, i.e. special contributions from willing Member States, received some support but no Member State indicated any willingness to make such contributions;
- Scenarios C and D, i.e. an increase in the cumulative budget deficit through short or long-term credit facilities, are seen as a potential option by a number of delegations, although long-term credits are seen as a challenge by some.

The Committee encouraged the Management to develop Scenarios C and D further with a view to the Council being able to take a decision on the matter, at the latest, in the framework of the 2020 Medium-Term Plan. It also asked the Management to continue with its annual reporting on the development of the maintenance and consolidation programme at the March meetings.

LHC matters

The Finance Committee heard reports from the Director for Accelerators and Technology, Dr Bordry and the Director for Research and Computing, Professor Elsen, on the status of LS2 activities in the machine, the experiments and computing and voiced satisfaction with the good progress of the work.

Report on the implementation of the recommendations by the External Review Committee of Finance and Human Resources

The Finance Committee heard the report by Dr Steinacher on the Management's implementation of the recommendations by the External Review Committee of Finance and Human Resources, and discussed the following matters:

- the relative gains achieved by the exercise compared to the costs incurred;
- the need for CERN to be an attractive place to work, as seen from both outside and inside the Organization;
- the support for staff mobility, both inside and outside.

In conclusion, the Finance Committee agreed that the exercise has been useful in supporting the development of the Organization.

- Pension fund matters were reported by the PFGB Chair and CEO
- The Audit Committee had met on 10 September and its key messages to the Council were conveyed also to the Finance Committee.
- Finally, the Finance Committee approved 7 award-of-contract proposals for a total value of 20 MCHF, 24,6 MCHF options included. It also approved the estimated increased amounts for ongoing service contracts in 2019.

370: 11 December 2019

23 Member States were represented and seven Associate Member States, including Croatia which was represented for the first time since becoming an Associate Member State on 10 October 2019.

- Regarding the status of the 2019 contributions, the Committee took note that that 99.7% of the current year's contributions had been received to date, compared with 99.8% and 99.2%% at the same point in 2018 and 2017 respectively. The Committee expressed satisfaction at the efforts employed by all Member and Associate Member States to ensure the timely settlement of their contributions. During the meeting the remaining contribution was received from Israel bringing the total to 100 %.
- The Committee received a document and a presentation on the cash position as at 26 November and was noted that, contrary to previous forecasts, short-term loans or bank overdrafts would not be required at the end of 2019 but might potentially be needed in early 2020.

Pension Fund:

- Pension fund matters were reported by the PFGB Chair and by the Fund CEO.
- The Finance Committee took note of document and of the presentation by Mr Hurd of Buck, the Pension Fund's consulting actuary, on the evolution from 1 January 2019, the date of the last periodic actuarial review, until 1 July 2019 according to the best-estimate assumptions:
 - a 2.4 percentage-point increase in the current funding ratio from 67.8% to 70.2%, largely due to the positive asset performance;
 - a slight reduction of the liabilities from 6.20 BCHF to 6.17 BCHF;
 - an increase in the assets from 4.20 BCHF to 4.33 BCHF;
 - an increase in the projected funding status at 1 January 2041 from 103.4% to 107.3%.
- The Finance Committee voiced satisfaction with the positive trends reported.

- An update on the cumulative budget deficit was presented by the Director for Finance and Human Resources, Dr Steinacher.
- Matters discussed at the TREF meeting on 22 October were reported by the TREF Vice-Chair Ms Sarah Verth including financial items appear later on your agenda, advance information on the five-yearly review that will start in 2020 and a report on diversity and inclusion at CERN.
- The Audit Committee Chair reported of the last Committee meeting on 19 November and conveyed the its key messages to the Council.
- The Strategy Secretary, Professor Halina Abramowicz, presented a progress report on the update of the European Strategy for Particle Physics.

Cost-Variation Index for 2020

The Finance Committee heard a presentation by the Head of the Finance and Administrative Processes department, Dr Sonnemann, and unanimously decided to recommend that the Council approve:

- a basic salary and stipend index of 0.80% and a subsistence allowances and family benefits index of 0.40%, bringing the overall cost-variation index for the personnel budget to 0.76%, including the applicable indexation for home leave of 2.35 %;
- and a materials budget cost-variation index of 4.10 %;
- bringing the overall cost-variation index for 2020 to 2.40 %.

The Committee further took note that, subject to the Council's approval of the proposals, the indexation of the Member States' contributions for 2020 would be limited to 2.0%, in line with the "corridor principle" approved in 2009.

Final Budget of the Organization for the sixty-sixth financial year 2020

The Finance Committee took note of the final Budget for 2020 in 2020 prices, and of a presentation by Dr Sonnemann explaining the differences in revenues and expenses compared to the draft 2020 Budget approved in June 2019.

Concerns were voiced by the Norwegian and United Kingdom delegations regarding the future evolution of expenditure and the importance of continued tight cost control by the Management was underlined.

Amendments to the 11th edition of the Staff Rules and Regulations – technical adjustments

The Finance Committee heard a presentation by the Head of the Human Resources department, Mr J. Purvis, of the proposed amendments to the Staff Rules and Regulations, set out in document CERN/FC/6368 CERN/3465, relating to employment and association, leave, termination of contract, social insurance cover, discipline and education fees.

The Committee unanimously decided to approve the proposed amendments to the Regulations.

Approval of the proposed amendments to the Rules falls within the Council's remit, and the Finance Committee made positive recommendations for all the articles concerned.

LHC Matters

- The Finance Committee heard the presentation from the Director for Accelerators and Technology, Dr Bordry, on the status of LS2 activities and on the EVM status of the LHC Injector Upgrade and High-Luminosity LHC projects, expressed satisfaction with the status of the former, and agreed that it would be appropriate for it to continue closely monitoring the cost evolution of the latter.
- The Committee took note of the oral report by the Director for Research and Computing, Professor Elsen, on the status of experiments and computing, including the progress of the experiments' upgrade activities during LS2, details of preparations for the Phase II upgrades, the status of the signature of the related Memoranda of Understanding and the outcome of the recent operation and shutdown scheduling meeting held on 27 November, in particular the decision to extend Run 3 by one year, with LS3 starting in January 2025 instead of 2024, and to extend LS2 by two months.

- **Contract adjudications**

- The Finance Committee approved 12 award-of-contract proposals for a total of 33 182 267 CHF, and 37 640 122 with options included.
- The Committee also approved the procedure of best-value-for-money basis with a fixed price to be used for the Science Gateway exhibitions.