

ORGANISATION EUROPEENNE POUR LA RECHERCHE NUCLEAIRE
CERN EUROPEAN ORGANIZATION FOR NUCLEAR RESEARCH

Action to be taken

Voting procedure

For recommendation to Council	FINANCE COMMITTEE 358 th Meeting 14 December 2016	<ul style="list-style-type: none"> - Indices for the Personnel budget - Indices for the Materials budget - Overall Cost-Variation Index - Indexation of Member States' contributions 	<p>Simple majority of Member States represented and voting</p> <p>Simple majority of Member States represented and voting and 70% of the contributions of the Member States represented and present for the voting and at least 51% of the contributions of all Member States</p>
For approval	COUNCIL 183 rd Session 15 December 2016	—	Simple majority of Member States represented and voting

The Cost-Variation Index for 2017

The document has been drawn up in line with the method for calculating the indices applicable to the personnel budget (basic salary and stipend index and index for subsistence allowances and family benefits, Annex A1 II of the Staff Rules and Regulations, 11th edition¹) approved in December 2006² and with the method for calculating the materials budget cost-variation index approved in June 1996³.

The Finance Committee is invited to recommend, and the Council is invited to approve:

- a basic salary and stipend index of 0%, and a subsistence allowances and family benefits index of 0%, bringing the overall cost-variation index for the personnel budget to -0.01%, including the applicable indexation for home leave of -1.80%;
- a materials budget cost-variation index of -4.93%;
- an overall cost-variation index of -2.39%;
- 0% indexation of Member States' contributions, in line with the Council decision of June 2012⁴.

¹ Document CERN/FC/5155-CERN/2730 "Review of the Staff Rules & Regulations – Proposed modifications to the 11th."

² Document CERN/FC/5110-CERN/2698 "5-Yearly Review 2005 – Proposal 11 – Modifications to Review Methods"

³ Document CERN/FC/3881 "The CERN Materials Cost-Variation Index: New Proposal".

⁴ Document CERN/FC/5644-CERN/3023.

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The Cost-Variation Index for 2017

1. Method

In accordance with the rules and procedures decided by the Council, the latter decides annually on the indices applicable to the personnel budget, the materials budget and the interest and financial costs. The applicable rules for the calculation of these indices are set out below.

1.1 Cost-Variation Indices for the Personnel budget

1.1.1 Basic salary and stipend index (Annex A1 II A of the Staff Rules and Regulations)

Basic salaries and stipends are reviewed annually by the Council, which uses the calculated basic salary and stipend index as a guide for this purpose. The purpose of the review is to protect basic salaries and stipends from any erosion of purchasing power resulting from an increase in the cost of living. The annual adjustment decision enters into force on 1st January of the following year.

In this context it is recalled that, in a Resolution dated 15 December 2000, concluding the 2000 Five-Yearly Review, the Council decided:

“that, with a view to maintaining the competitiveness of CERN salaries and in parallel to increasing flexibility of the career structure, the Council will use its best efforts to adjust annually the salary scale in accordance with the guide provided for in Annex 1 of the Staff Rules”.

1.1.1.1 Composition of the basic salary and stipend index⁵

This index consists of two components:

a) First component

The Geneva cost-of-living movement for the twelve-month period from August of the year preceding the current year to August of the current year (according to the data supplied by the Statistical Office of the Canton of Geneva, taking the index for the month of August in the year preceding the current year as base 100).

b) Second component

⁵ CERN/FC/5155-CERN/2730 “Review of the Staff Rules and Regulations – Proposed modifications to the 11th edition”.

The average movements of the real net salaries of the civil servants of:

- the Swiss Federal Public Service, and
- the Member States whose regular contribution in the current year represents more than 2% of the Organization's Budget for the twelve-month period from June of the year preceding the current year to June of the current year (according to the data supplied by the Statistical Office of the European Communities, Eurostat, taking the index for June of the year preceding the current year as base 100).

Half of the second component consists of the data concerning Switzerland and the other half consists of the data concerning the other Member States, determined according to the above criterion, weighted according to the number of those Member States' nationals among the Organization's personnel (according to the personnel statistics at 31 December of the year preceding the current year).

1.1.1.2 Method of calculation of the basic salary and stipend index

The basic salary and stipend index is calculated on the basis of the data collected for the two components specified above, using the following formula:

$$I = \frac{Gva * [CH + \sum_{n=1}^p a_n * s_n] / 2}{100}$$

- I** Basic salary and stipend index;
- Gva** Geneva cost-of-living movement (August-August);
- CH** Average movement of real net salaries of Swiss Federal civil servants (June-June);
- a_n** Weighting for Member State n;
- s_n** Average movement of real net salaries of civil servants in the civil service of Member State n (June-June);
- p** Number of Member States determined using the criterion specified above.

1.1.2 Subsistence allowances and family benefits index (Annex 1 II B of the Staff Rules and Regulations)

Subsistence allowances and family benefits are reviewed annually by the Council, which uses the Geneva cost-of-living movement, calculated in accordance with 1.1.1.1 a) above, as a guide for this purpose. The purpose of the review is to protect subsistence allowances and family benefits from any erosion of purchasing power resulting from an increase in the cost of living.

1.2 Materials Budget Cost-Variation Index⁶

1.2.1 The materials budget cost-variation index is made up of the following elements:

⁶ Document CERN/FC/3881 of June 1996, "The CERN Materials Cost-Variation Index: New Proposal".

- the cost-variation index of **goods, consumables and supplies**, based on the capital goods index published by Eurostat (Luxembourg) and on the competitive positions index published by the OECD (Paris). The variations of these indices are applied to the relative share over three years of purchases made in the Member States concerned and are adjusted by the changes in exchange rates;
- the cost-variation index of **industrial services**, based on the competitive positions index published by the OECD (Paris). The variations of this index are applied to the relative share over three years of purchases made in the Member States concerned and are adjusted by the changes in exchange rates;
- **insurance and postal charges, electricity, heating gas and water**, all based on the contractual changes in tariffs, including the impact of exchange rate fluctuations and the Geneva cost-of-living movement index;
- **Associated Members of the Personnel and other overheads**, based on the Geneva cost-of-living movement index.

1.2.2 Exchange rates and percentage of purchases

The following basic principles apply:

- in order to express the cost-variation index in Swiss francs, the variation of the exchange rate of the national currencies with respect to the Swiss franc is applied to the difference of the corresponding cost-variation indices;
- the ratios of the supplies purchased from those Member States that make up at least 90% of the total payments and outstanding commitments for supplies during the previous three years are used as weights and taken into account in the variation applied to the goods, consumables and supplies;
- the ratios of the industrial services contracted from those Member States that together make up at least 90% of the total payments and outstanding commitments for industrial services contracts during the previous three years are used as weights and taken into account in the variation applied to the industrial services.

1.3 Cost-Variation Index for Interest and Financial costs

No short-term loans are budgeted for 2017.

2. Calculated Cost-Variation Indices for 2017

2.1 Cost-Variation Indices for the Personnel Budget (Annex A)

Basic salary and stipend index

First component:

The Geneva cost-of-living movement for the period between August 2015 and August 2016 is **0.1%**.

Second component:

First element: the movement of the real net salaries of the Swiss Federal civil servants for the period between June 2015 and June 2016 is **0.0%**.

Second element: the data published by Eurostat for the ten⁷ Member States whose regular contribution in the current year is more than 2% of the Organization's Budget. Their weighting for half of the second component for the reference period (see item 1.1.1.1 b) is as follows:

Weighting of real net salary movements (W) in the following Member States:

	W (%)
- Austria	2.28
- Belgium	5.03
- France	46.55
- Germany	8.62
- Italy	13.37
- Netherlands	3.22
- Poland	2.89
- Spain	6.94
- Sweden	1.35
- United Kingdom	9.74

The movement of real net salaries of civil servants in the Member States (as defined in Section 1.1.1.1 b) is **1.2%**, based on the October 2016 statistics provided by EUROSTAT.

Annex A shows that the basic salary and stipend index calculated according to the method described above amounts to **0.7%**. Considering a) that the calculated basic salary and stipend indices for 2012, 2013, 2014, 2015, 2016 amounted to -0.2%, -0.3%, -0.4%, 0.6% and -0.8% respectively, and b) that no index was applied during the last five years, the combined effect of these indices should be taken into account. Next year's

⁷ According to the current Staff Regulations (in force since January 2014), Eurostat calculates the global indicator on the basis of a sample of countries comprising the following eleven Member States: Austria, Belgium, France, Germany, Italy, Luxembourg, Netherlands, Poland, Spain, Sweden and United Kingdom.

expenses affected by the basic salary and stipend adjustment index will thus be reduced by a memory of **-0.4%** ($99.8\%*99.7\%*99.6\%*100.6*99.2\%*100.7\%-1$).

Pursuant to Annex A1 II B of the Staff Rules, the aim of the annual review of basic salaries and stipends is to protect against “any erosion of purchasing power resulting from the increase in the cost of living”, with no provision for adjustment in times of deflation. In addition, the annual adjustment decision constitutes an amendment to the employment terms and conditions of each member of the personnel, so the corresponding amounts are of a contractual nature and therefore cannot be reduced. In view of the above, the basic salary and stipend index cannot be negative and is therefore set at **0.0%**.

Subsistence allowances and family benefits index

As mentioned above, the Geneva cost-of-living movement for the period between August 2015 and August 2016 is **0.1%**. Considering a) that the August 2014 to August 2015 Geneva cost-of-living movement was -1.2% and b) that no index was applied in 2016, a memory of -1.2% remains. Therefore, the Geneva cost-of-living adjustment of 0.0% will be applied in 2017, leaving a memory of -1.1% to be applied in 2018.

The two indices together result in **an overall personnel index of -0.01%, including the index for home leave shown in Annex C.**

2.2 Materials Budget Cost-Variation Index

The materials budget is divided into the following four components:

- (1) Goods, consumables and supplies, as detailed in Annex B,
- (2) Electricity, heating gas and water,
- (3) Industrial services,
- (4) Insurance and postal charges, and subsistence payments to associated members of the personnel and other overheads.

The amounts of the above components of the materials budget have been taken from the 2017 Draft Budget⁸, with the exception of the amount for industrial services, which has been revised in accordance with document CERN/FC/6038/RA, “Service contracts at CERN”.

⁸ Document CERN/SPC/1064-CERN/FC/6011-CERN/3246.

The indices used for these four components are:

- (1) For **goods, consumables and supplies**: Annex B gives details of exchange rates, weighted average percentage purchases and how the cost-variation indices for **goods, consumables and supplies** have been calculated. The result is an index of **-10.86%**, compared to -1.98% in 2016. This exceptionally low index is essentially the result of the CHF/EUR exchange rate fluctuation in 2015, which has now been partially reversed, as well as of changes in the industrial price indices of the relevant Member States.
- (2) For **electricity, heating gas and water**, the cost-variation index computed according to the method described in Section 1.2.1 amounts to **3.0%**. This percentage includes the impact of the exchange rate fluctuation.
- (3) For **industrial services**, both the exchange rate fluctuation and the competitive positions index have been taken into account, leading to a cost-variation index of **1.09%**.
- (4) For **insurance and postal charges and subsistence payments to associated members of the personnel and other overheads**, no indexation is applied due to the facts explained in section 2.1.

2.3 Cost-Variation Index for Interest and Financial Costs

- The fixed interest rates charged by Fortis bank are not indexed.
- No short-term loans are budgeted for 2017.

3. Calculated Overall Cost-Variation Index for 2017

Annex C shows the 2017 Draft Budget⁹ at 2016 prices broken down into the above headings and converted into 2017 prices taking into account the indices determined in paragraphs 2.1 to 2.3.

In Annex C, the movements under the personnel heading are broken down into the following categories:

- Expenses affected by the basic salary and stipend index, which are subject to a 0% increase due to the facts explained in section 2.1.
- Subsistence allowances and family benefits, which are both subject to the Geneva cost-of-living movement, reduced to 0% due to the facts explained in section 2.1.
- Home leave, which is subject to a -1.80% decrease based on the harmonised consumer price index for transportation provided by Eurostat.

The various movements are shown in Column 2 of Annex C and may be summarised as follows:

- an overall **personnel budget** cost-variation index of **-0.01%**
- an overall **materials budget** cost-variation index of **-4.93%**

Based on the breakdown of the 2017 Draft Budget and on document CERN/FC/6038/RA, “Service contracts at CERN”, the above cost-variation indices for the personnel budget, the materials budget and the interest and financial costs result in an **overall calculated cost-variation index of -2.39%**.

⁹ Document CERN/SPC/1064-CERN/FC/6011-CERN/3246.

4. Proposal

The Finance Committee is invited to recommend and the Council is invited to approve:

- a basic salary and stipend index of 0% and a subsistence allowances and family benefits index of 0%, bringing the overall cost-variation index for the personnel budget to -0.01%, including the applicable indexation for home leave of -1.80%;
- a materials budget cost-variation index of -4.93%;
- an overall cost-variation index of -2.39%,
- 0% indexation of Member States' contributions, in line with the Council decision of June 2012¹⁰.

¹⁰ Document CERN/FC/5644-CERN/3023, "Proposal for the Extension of the "Corridor Principle" for the indexation of the Member States' Contributions".

ANNEX A: Calculation of the 2017 Basic Salary and Stipend Index

1. **Geneva cost-of-living movement** (based on August 2015 - August 2016) 100.1

2. **Average movement of the real net salaries of Swiss Federal civil servants**
(based on June 2015 - June 2016) 100.0

3. **Average movement of the real net salaries of the civil servants of ten Member States*:** (June 2015 - June 2016)

Member States	Movements	Weight	Weighted
	June 2015 - June 2016	(%)	
	A	B	C = A*B
Austria	104.3	2.28%	2.38
Belgium	101.2	5.03%	5.09
France	100.1	46.55%	46.60
Germany	100.8	8.62%	8.69
Italy	100.2	13.37%	13.40
Netherlands	106.2	3.22%	3.41
Poland	107.7	2.89%	3.11
Spain	105.9	6.94%	7.35
Sweden	102.9	1.35%	1.39
United Kingdom	100.6	9.74%	9.80
Total			101.20

101.2

4. **Basic salary and stipend index[#]**

$$I = \frac{Gva * [CH + \sum_{n=1}^p a_n * s_n]}{100}$$

$$I = \frac{100.1 * [100 + 101.2]}{100}$$

Calculated basic salary and stipend index = 100.7

* Based on June 2015 to June 2016 data received on 18 October 2016.

[#] I Basic salary and stipend index.

Gva Geneva cost-of-living movement (August-August).

CH Average movement of real net salaries of Swiss Federal civil servants (June-June).

a_n Weighting for Member State n.

s_n Average movement of real net salaries of the civil service of Member State n (June-June).

p = 10 Since ten Member States publish real net movements.

ANNEX B: Calculation of the Cost-Variation Index for Goods, Consumables and Supplies

COUNTRY	Index on capital goods based on national currencies * (2010=100)		Competitive positions based on national currencies **		Average exchange rate of year	Average exchange rate of year	Increase of national indexes applied to exchange rate variation of national currencies to CHF		Percentage purchases (average of the years)	Weighted increase of national indexes expressed in CHF by origin of purchases
	2014	2015	2014 = 100	2015	2014	2015	Investments	Consumables	2013/2014/2015)	10= 9 * (7 + 8)/2
	1	2	3	4	5	6	7= 2 / 1 * 6 / 5	8= 4 / 3 * 6 / 5	9	10
France	107.15	104.76	100.00	100.60	1.215	1.068	0.860	0.885	32.9	28.73
Germany	105.94	104.04	100.00	101.34	1.215	1.068	0.864	0.891	16.7	14.63
Italy	106.18	102.58	100.00	100.10	1.215	1.068	0.850	0.880	14.1	12.18
Netherlands	108.89	100.96	100.00	98.37	1.215	1.068	0.815	0.865	2.6	2.17
Poland	108.66	106.06	100.00	101.62	29.021	25.538	0.859	0.894	1.7	1.45
Portugal	107.93	104.71	100.00	99.15	1.215	1.068	0.853	0.872	1.5	1.30
Spain	110.16	107.88	100.00	100.14	1.215	1.068	0.861	0.881	6.5	5.66
Switzerland	98.89	95.58	100.00	96.38	1.000	1.000	0.967	0.964	17.5	16.88
United Kingdom	110.56	102.20	100.00	98.96	1.506	1.470	0.902	0.966	6.6	6.14

* EUROSTAT-Luxembourg

** OECD-Paris. Indices based on export prices of goods and services.

TOTAL	89.14
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INDEX [%]	-10.86
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**ANNEX C: Conversion of the 2017 Draft Budget
(CERN/SPC/1064-CERN/FC/6011-CERN/3246)
from 2016 to 2017 prices (in MCHF), rounded to 5 kCHF**

	2017 Draft Budget at 2016 prices	Change due to Cost-Variation		2017 Draft Budget at 2017 prices
		%	MCHF	
	1	2	3	4 = 1 + 3
PERSONNEL				
1 Expenses affected by the basic salary and stipend adjustment *, **	515.735	0.00	0.000	515.735
2 Family allowances #	24.855	0.00	0.000	24.855
3 Other expenses affected by the cost-of-living index ***, #	42.850	0.00	0.000	42.850
4 Home-leave ****	1.845	-1.80	- 0.035	1.810
TOTAL PERSONNEL	585.285	-0.01	- 0.035	585.250
MATERIALS				
5 Goods, consumables and supplies	283.165	- 10.86	- 30.760	252.405
6 Electricity, heating gas and water	59.390	3.00	1.780	61.170
7 Industrial services (service, repair and temporary labour)	121.905	1.09	1.330	123.235
8 Associated Members of Personnel and other overheads (incl. Ins. & pos. charges) #	96.630	0.00	0.000	96.630
TOTAL MATERIALS	561.090	-4.93	- 27.650	533.440
INTEREST and FINANCIAL COSTS				
9 Interest to Fortis bank	9.050	0.00	0.000	9.050
10 Short-term interest	0.000	0.00	0.000	0.000
11 In-kind (FIPOI interest 0%)	2.045	0.00	0.000	2.045
12 Other financial expenses	0.965	0.00	0.000	0.965
TOTAL INTEREST and FINANCIAL COSTS	12.060	0.00	0.000	12.060
GLOBAL INDEX	1,158.435	-2.39	- 27.685	1,130.750

* Basic salaries, stipends, non-residence allowances, overtime, shift work, contract terminations and installation, social contributions, progressive retirement programme allowances, special contributions for the Pension Fund and unemployment benefits.

** Excluding internal taxation.

*** Removal, education, contribution to Health insurance for pensioners and contribution to Long-Term Care.

**** Travelling expenses shall be indexed on 1st March every year according to the Eurostat European Consumer Price Index for Transport as at December of the previous year.

No Geneva cost-of-living adjustment as described in section 2.1.