



Extract from the report to the
Public Accounts Committee on
the Eurovision Song Contest 2014
budget overrun

June
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1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns the cost overrun related to the staging of the European Song Contest 2014 (ESC 2014) by *Projektselskabet ESC 2014 ApS* (Production Company ESC). The Danish Public Accounts Committee asked Rigsrevisionen to examine the budget overrun in October 2014.

The Public Accounts Committee wanted a lessons-learned study focused on the organisation and management of the event. The Public Accounts Committee's request (Danish version) is included in appendix 1. The purpose of the study is to highlight key lessons learned from an assessment of the extent to which the preparations made by the host city partners and the management of the Production Company ESC affected the ESC 2014 budget overrun. The Production Company ESC was established on 31 August 2013 when the host city and venue contract was entered with the Danish Broadcasting Corporation (DR). The report answers the following questions:

- Did the host city partners prepare the establishment and running of the venue in a manner that provided a clear and appropriate basis for the project, including the distribution of roles and responsibilities between the host city partners and between the Production Company ESC and DR?
- Did the Production Company ESC manage the establishment and running of the venue effectively?

CONCLUSION

There are three key lessons to be learned from the budget overrun resulting from the host city partners' preparation and management of the host city and venue activities in connection with the ESC 2014.

First, it is crucial that budgets underlying particularly risky activities are carefully prepared. The host city partners did not ensure that the budget for the establishment and running of the venue was well researched. At the same time, the host city and venue contract placed the full responsibility for the implementation of the activities on the Production Company ESC. Moreover, it was indicated in the contract that the implementation of the activities – which were not clearly defined – took precedence over keeping the budget. The uncertainty related to the budget was one of the principal reasons for the budget overrun.

Memorandum on the organisation of a major study

Based on the request by the Public Accounts Committee, Rigsrevisionen prepared a memorandum on the organisation of a major study of the Eurovision Song Contest 2014 budget overrun. The members of the committee endorsed the memorandum at their meeting in December 2014.

Host city partners is a subsidiary of – and fully owned by – Wonderful Copenhagen.

*Wonderful Copenhagen, the City of Copenhagen, the Capital Region of Denmark and the real-estate company that owned the area where the event was held (Refshale-øen), are collectively referred to as the **host city partners**.*

DR is an independent public institution with special prerogatives and a degree of independence that allows the institution to schedule programmes at its own discretion, but also to act independently in connection with administrative and financial transactions.

Second, the parties to a contract of this type must have professional experience with the tasks they are required to perform. The Production Company ESC had no experience managing a building process and establishing a venue for TV production on the scale of the ESC 2014. On entering the contract with the Production Company ESC, DR ran the risk that the venue would not be established on time and with the required functionality required. The Production Company ESC's lack of experience resulted in ineffective project and financial management, which was the second principal reason for the budget overrun.

Third, it is important that the basis for an agreement among more parties facilitates progress and clearly specifies the roles and responsibilities of the individual parties involved in the project. The division of tasks between the Production Company ESC and DR was clearly defined in the city and venue contract, but for obvious reasons, not all aspects of the parties' requirements to the venue could be fully detailed. The model of collaboration set up between DR, the Production Company ESC and the host city partners included a number of underlying agreements and letters of support. The full package of agreements – and especially the agreements entered among the individual host city partners – contributed to reducing the transparency of transactions and caused fundamental disagreement among the parties, which again affected the progress of the project. This was the third principal reason for the budget overrun.

The formal legal role of the City of Copenhagen and the Capital Region of Denmark was to provide funding to the Production Company ESC, but in reality they were both involved in the practical preparations and management of both the host city and venue activities.

Ensuring that someone had the overall responsibility and overview of the management of the project was hampered by the actual organisation of the project – particularly among the host city partners. Rigsrevisionen recommends that the Ministry of Culture and other relevant actors, including the Ministry of Economic Affairs and the Interior, take steps to engage in a principle discussion of the financing and management of major cultural events involving collaboration across public authorities and institutions, foundations and private companies. The purpose of such an exercise would be to ensure that public authorities and institutions do not act out of self-interest and based on formal framework terms, at the expense of the overall performance of a given task.