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THE GOVERNMENT HOSPITALITY

WINE CELLAR

ANNUAL STATEMENT 2014 - 2015

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INTRODUCTION

1. The Annual Statement on the Government Hospitality (GH) wine cellar is published as part of the commitments made by the government following the review of the GH wine cellar in 2010, the results of which were announced in May 2011. The statement is designed to offer a transparent and comprehensive overview of the usage, value, costs and stock levels of the wine cellar, as well as broadening the understanding of how the cellar is used to support the work of Government Hospitality in delivering business hospitality for all government ministers and departments.
2. The statement has also been prepared to offer insight into the management of the cellar and demonstrate the value for money that the cellar provides. The purchasing of wine and its storage, at relatively modest prices and its retention until ready for use, allow Government Hospitality to provide guests of the government, from home and overseas, with wines of appropriate quality at reasonable cost.
3. Government Hospitality is advised on purchasing and management of the stock by an ad hoc advisory committee, the Government Wine Committee (GWC). Meeting approximately three times a year, members of the ad hoc GWC are Masters of Wine, and give their advice un-paid.
4. This statement covers the period 1 April 2014 to 31 March 2015. Figures for bottles used and costs or values have been rounded up or down to the nearest whole number.
5. Wines are generally described by country of origin, but in the case of France and Germany, wines are defined by their region of origin.

HISTORY AND BACKGROUND

History:

1. The establishment in 1908 of the former Government Hospitality Fund to provide hospitality services for high-level visiting overseas government guests and domestic guests led to the requirement to structure the purchasing of wines for these events. In 1922, the constitution of the Government Hospitality Fund Advisory Committee for the Purchase of Wine led to the creation of the Government Hospitality (GH) wine cellar that still exists today.
2. The wine cellar has been located in the basement of Lancaster House for many years, although at various stages in the 20th century some of the cellar stock was housed in other government buildings (eg. Downing Street, Carlton Gardens, etc). After the outbreak of World War II, wines from the German Embassy were requisitioned and added to the cellar stock. For part of the war, the bulk of the cellar was re-located to Warwickshire for safe-keeping.
3. Lancaster House has been the working base for Government Hospitality for almost a century. With the completion of the post-war refurbishment in the 1950s the house was used exclusively for government entertainment and large conferences and meetings. This is still the prevailing purpose of the house, now managed as part of the Foreign and Commonwealth Office estate.

Background:

4. The Government Hospitality wine cellar is a working resource that is used only to support Government Hospitality in its service delivery. Wines are bought young and relatively inexpensively and held in the cellar, so that they can be used when fully mature. Wines for use on large-scale receptions are bought in bulk on an ad hoc basis (usually 3-4 times a year).
5. The selection of wines for the cellar is carried out on the recommendation of the Government Wine Committee (GWC). Formerly a registered NDPB (non-departmental public body), the Government Hospitality Advisory Committee for the Purchase of Wine, the Committee was removed from the Cabinet Office list of NDPBs as part of the Public Bodies Reform process announced in October 2010. The Chairman (currently Sir David Wright, former Ambassador) and the 4 Masters of Wine members of the Committee make their selections for purchases based on blind tastings. The Committee has no budget. The Head of Government Hospitality ultimately decides whether or not to accept the Committee's recommendations, depending on the balance of the cellar and resources available.
6. Wines are selected for use depending on the guidance offered by the GWC on grading, quality and readiness. Government Hospitality staff select the wines to be used on each event, depending on the nature of the event, seniority of the guests, etc. Ministers and senior officials hosting events do not select wines but are notified of the selections made on their behalf.

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7. After the election in May 2010, the Secretary of State for Foreign and Commonwealth Affairs asked that a review of the Government Hospitality wine cellar be conducted, in-line with other areas of government expenditure, to ensure that the cellar was delivering value for money, and examine whether the running of a cellar was the most cost effective way to supply wines for GH's business hospitality needs. The review concluded that the cellar was delivering value for money and was the most cost effective way to provide wines for Government Hospitality functions and State Banquets, but that reform was required.

8. The review recommended that:

- the Cellar should move to a self-financing regime for the medium term, with targeted sales of high value stock helping to pay for future purchases.
- there should be an annual statement to Parliament on the use of the Wine Cellar, covering consumption, stock purchases, costs, and value for money.

9. The first sales from the cellar stock took place in March 2012, delivering a £44,000 return to off-set the 2011/12 purchases of new stock, which totalled £48,955. The difference was covered by additional funds paid back to Government Hospitality by other government departments for work under-taken on their behalf. Sales have occurred every year since 2012.

10. During the Financial Year 2014/15, sales of high value stock from the cellar delivered a return of £71,050, to off-set purchases to the value of £70,432. In addition, Government Hospitality was re-paid by other government departments for wines used to the value of £21,514.

11. A busy year of international conferences and meetings saw an increase in consumption levels in 2014/15 of around 15% to an overall total of 5,516 bottles (cf. 4,800 bottles in 2013/14).

KEY POINTS :

(All statistics as at 31 March 2015)

- The Government Hospitality wine cellar contains 34,052 bottles of wines and spirits
- Total value of stock at cost £818,977
- Numbers of bottles used in 2014/15 : 5,516

Wines	:	2,923
Reception Wines white	:	1,637
Reception Wines red	:	886
Spirits & Brandies	:	70
Total	:	5,516

- Revenue from sales of stock : £71,050 (see Sales below)
- Repayments by other government departments for wines used : £21,514.
- Expenditure on new stock : £70,432 (see Purchases below)
- Value at cost of stock used : £69,433

FACTS AND FIGURES

- The Government Hospitality wine cellar contains 34,052 bottles of wines and spirits
- Total cost value of stock £818,977. (cf. 13/14 £824,406)
- Estimated market value of stock £3.108m (cf. £3.101m 13/14)
- Consumption rose by just under 15%.
- Bottles used : 5,516 (cf. 4,800 in 13/14)
- Bottles of English and Welsh wine used : 2,414 (including reception wines) = 44 % of total
- Cost of used stock : £69,433
- Total receipts / revenues: £92,564.

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USAGE DATA (See Annex A for detailed usage breakdown)

Summary :

Bottles of Wine used	:	2,923
Bottles of Reception Wines (white) used	:	1,637
Bottles of Reception Wines (red) used	:	886
Bottles of Spirits & Brandies used	:	70
Total		5,516

<i>Usage by Wine Varieties:</i>		<i>Quantity (bottles)</i>
Alsace	:	23
Australia	:	3
Bordeaux (Red)	:	639
Bordeaux (White – Sauternes)	:	48
Burgundy (Red)	:	207
Burgundy (White)	:	679
Champagne	:	205
English (White non-reception)	:	259
English and Welsh (Sparkling)	:	518
Italy	:	11
Loire	:	42
Mosel	:	24
New Zealand	:	49
Port	:	79
Rhein	:	14
Rhône	:	58
South Africa	:	19
United States of America	:	46

Spirits:

Cognac / Armagnac / Brandy	:	3
Gin	:	52
Liqueurs	:	6
Whisky	:	9

Reception Wines:

White	:	1,637
Red	:	886

Cost of wines used:

The total value of the wines used at cost price £69,433.

Information on the individual costs of the wines used and purchased is not released to protect Government Hospitality's commercial interests (Freedom of Information Act 2000, section 43 (2) exemption) and its ability to achieve significant discounts from suppliers.

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SALES / REVENUE

In 2014/15 Government Hospitality sold stock at auction through Christie, Manson & Woods Ltd, and sold stock direct to Farr Vintners Ltd, generating a return of £71,050 in total.

The following items were sold:

<i>Wines:</i>	<i>Quantity:</i>
Château Latour 1961	6 bottles
Château Margaux 1961	12 bottles
Le Pin 1986	12 bottles
Château Haut-Brion 1989	12bottles
Château Margaux 1990	12 bottles
Château Lafite Rothschild 1990	12 bottles
Château Tetre-Rôtebeouf 1993	120 bottles
Château Lynch Bages 1994	120 bottles

In addition, GH took receipts for wines used on functions for other government departments (ie. events not paid for from its own budget) totalling £21,514.

Total receipts / revenues	£92,564
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PURCHASES

All costs for the purchase of new stock were covered by the sales of high value stock items or monies recovered from other government departments for work under-taken on their behalf. In 2014/15 Government Hospitality spent £70,432 on new purchases for the cellar.

The following types of wine were purchased :

<i>Reception wines:</i>	<i>Quantity:</i>
Chapel Down Bacchus 2013	1,920 bottles
Berry's Good Ordinary Claret	300 bottles
 <i>Wines:</i>	
Bordeaux (red)	1,104 bottles
Bordeaux (white)	360 half bottles
Bordeaux (white)	144 bottles
Champagne NV	60 bottles
South African (dessert)	72 bottles
Welsh Sparkling wine	192 bottles
 <i>Spirits:</i>	
Spirits / Liqueurs	4 half bottles