



THE GOVERNMENT HOSPITALITY

WINE CELLAR

ANNUAL STATEMENT 2013-2014

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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 been prepared to help offer insight into the management of the cellar, the usage of stock from the cellar, and to demonstrate the value for money that the cellar provides. The value for money can be seen both in the accrued value of some of the wines, purchased at relatively modest prices and kept until ready for use, and also in the efficiency of the buying and storing process, that allows 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). Members of the ad hoc GWC are Masters of Wine, and give their advice un-paid, meeting approximately three times a year. 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.
4. This statement covers the period 1 April 2013 to 31 March 2014. 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 of the former Government Hospitality Fund in 1908 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. Government Hospitality provides hospitality services to all departments across Whitehall, as required. Managing, on average, around 200-250 events per year, the team is responsible for delivering business hospitality for Ministers and senior officials and their guests from overseas and the UK. The GH team manage all logistics for business hospitality from the preparation of invitations, to the selection of caterers through to the selection and service of wines from the cellar, to overseeing service at an event.
5. 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).
6. The selection of wines for the cellar is carried out on the recommendation of the Government Wine Committee (GWC). 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.

7. 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.
8. 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.
9. 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.
10. 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.
11. During the Financial Year 2012/13, sales of cellar stock delivered a return of £63,300, to off-set purchases to the value of £45,866. In addition, Government Hospitality was re-paid funds by other government departments of £22,129.
12. During the Financial Year 2013/14, sales of high value stock from the cellar delivered a return of £56,000, to off-set purchases to the value of £50,054. In addition Government Hospitality was re-paid funds by other government departments of £16,762.
13. Reflecting a more normal year of activity compared with 2012/13, consumption dropped in 2013/14 by around 13.5% to an overall total of 4800 bottles (cf. 2012/13 - 5547 bottles) .

KEY POINTS :

(All statistics as at 31 March 2014)

- The Government Hospitality wine cellar contains 35,632 bottles of wines and spirits
- Total value of stock at cost £ 824,406
- Numbers of bottles used in 2013/14 : 4,800

Wines	: 2,315
Reception Wines white	: 1,758
Reception Wines red	: 657
Spirits & Brandies	: 70
Total	: 4,800

- Revenue from sales of stock : £ 56,000 (see Sales below)
- Repayments by other government departments for wines used : £16,762
- Expenditure on new stock : £ 50,054 (see Purchases below)
- Value at cost of stock used : £ 55,805

FACTS AND FIGURES

- The Government Hospitality wine cellar contains 35,632 bottles of wines and spirits
- Total cost value of stock £824,406. (cf 12/13 £832,607)
- Estimated market value of stock £3.101m (cf. £3.243 m 12/13)
- Consumption dropped by 13.5% , cf. 12/13
- Bottles used : 4,800 (cf. 5,547 in 12/13)
- Bottles of English wine used : 2,313 (including reception wines) = 48 % of total
- Cost of used stock : £55,805
- Total receipts / revenues: £ 72,762

USAGE DATA

See Annex A for detailed usage breakdown.

Summary :

Bottles of Wine used	:	2,315
Bottles of Reception Wines (white) used	:	1,758
Bottles of Reception Wines (red) used	:	657
Bottles of Spirits & Brandies used	:	70

Total

Usage by Wine Varieties: *Quantity (bottles)*

Alsace	:	35
Australia	:	10
Austria	:	25
Bordeaux (Red)	:	612
Bordeaux (White – Sauternes)	:	37
Burgundy (Red)	:	171
Burgundy (White)	:	424
Champagne (NV)	:	184
Champagne (V)	:	9
Chile	:	3
English (White non-reception)	:	111
English (Sparkling)	:	454
Loire	:	20
Mosel	:	31
New Zealand	:	26
Port	:	74
Rhein	:	8
Rhône	:	46
South Africa	:	31
Spain	:	4

Spirits:

Cognac / Armagnac / Brandy	:	5
Gin	:	48
Pimms	:	7
Whisky	:	9
Vodka	:	1

Reception Wines:

White	:	1,758
Red	:	657

Cost of wines used:

The total value of the wines used at cost price £ 55,805.

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.

SALES / REVENUE

In 2013/14 Government Hospitality sold stock at auction through Christie, Manson & Woods Ltd, and sold stock direct to Farr Vintners Ltd, generating a return of £56 000 in total.

The following items were sold:

<i>Wines:</i>	<i>Quantity:</i>
Château Latour 1961	9 bottles
Château Pétrus 1978	6 bottles
Château Ausone 1978	12 bottles
Château Margaux 1983	12 bottles
Château Mouton-Rothschild 1986	12 bottles
Château Lafite Rothschild 1988	12 bottles
Château Haut-Brion 1989	6 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 £16,762

Total receipts / revenues £72,762

PURCHASES

All costs 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 2013/14 Government Hospitality spent £50 054 on new purchases for the cellar.

The following types of wine were purchased :

<i>Reception wines:</i>	<i>Quantity:</i>
Chapel Down Bacchus 2012	960 bottles
Concha y Toro Merlot	1,200 bottles
 <i>Wines:</i>	
Alsace	312 bottles
Austrian	120 bottles
Bordeaux	540 bottles
Champagne NV	180 bottles
German	498 bottles
 <i>Spirits:</i>	
Gin	60 bottles
Whisky	36 bottles
Spirits / Liqueurs	7 bottles