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THE GOVERNMENT HOSPITALITY

WINE CELLAR

ANNUAL REPORT 2017 - 18

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INTRODUCTION

1. The Annual Report on the Government Hospitality (GH) wine cellar (formerly the “Annual Statement”) is published as part of the commitments made by the previous government following the review of the GH wine cellar in 2010, the results of which were announced in May 2011. The report 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 report 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 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 the purchasing and management of the stock by an ad hoc advisory committee, the Government Wine Committee (GWC). Meeting approximately three times a year, the four Committee members of the GWC are Masters of Wine, and give their advice un-paid. The Chairman is a retired senior Diplomat, who is also un-paid.
4. This report covers the period 1 April 2017 to 31 March 2018. Figures for bottles used and costs or values have been rounded up or down to the nearest whole number. No distinction is made between half bottles (37.5 ml), whole bottles (75 ml) or magnums (150 ml) of wine.
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 over 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 or report 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 2017/18, sales of high value stock from the cellar delivered a return of £50,600 (cf. £40,800 in 16/17), to off-set purchases to the value of £56,976 (cf. £45,042 in 16/17). In addition, Government Hospitality was re-paid by other government departments for wines used to the value of £24,494.

11. Consumption levels in 2017/18 recovered slightly on the historically low figure of 2016/17 (3,261 bottles). Consumption rose by just over 20% to an overall total of 3,935 bottles of wine and spirits.

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KEY POINTS :

(All statistics as at 31 March 2018)

- The Government Hospitality wine cellar contains 33,097 bottles of wines and spirits
- Total value of stock at cost £802,340.00
- Numbers of bottles used in 2017/18 : 3,935

Wines	:	1,424
Reception Wines white	:	1,637
Reception Wines red	:	843
Spirits & Brandies	:	31
Total	:	3,935

- Revenue from sales of stock : £50,600. (see Sales below)
- Repayments by other government departments for wines used : £26,494.
- Expenditure on new stock : £ 56,976.(see Purchases below)
- English wines represent 64% of new purchases in 17/18 by value and volume.
- Value at cost of stock used : £50,780.

FACTS AND FIGURES

- The Government Hospitality wine cellar contains 33,097 bottles of wines and spirits.
- Total cost value of stock £802,340 (cf. 16/17 £804,811).
- Estimated market value of stock £3.290m (cf. £3.177m 16/17).
- Consumption rose by just over 20%.
- Bottles used : 3,935 (cf. 3,261 in 16/17).
- Bottles of English and Welsh wine used : 2,232 (including reception wines) = 57 % of total.
- Cost of used stock : £50,780
- Average cost per bottle of wine used : £12.91
- Average cost per bottle of wine purchased : £12.87
- Total receipts / revenues: £77,094.

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USAGE DATA (See Annex A for detailed usage breakdown)

Summary :

Bottles of Wine used	:	1,424
Bottles of Reception Wines (white) used	:	1,637
Bottles of Reception Wines (red) used	:	843
Bottles of Spirits & Brandies used	:	31
Total		3,935

Usage by Wine Varieties: *Quantity (bottles)*

Alsace	:	34
Australia	:	25
Bordeaux (Red)	:	179
Bordeaux (White – Sauternes)	:	8
Burgundy (Red)	:	90
Burgundy (White)	:	247
Champagne	:	22
English (White non-reception)	:	100
English and Welsh (Sparkling)	:	495
Italy	:	4
Loire	:	17
Mosel	:	31
New Zealand	:	6
Port	:	30
Rhine	:	14
Rhône	:	65
South Africa	:	15
Spain	:	42

Spirits:

Cognac / Armagnac / Brandy	:	2
Gin	:	28
Whisky	:	1

Reception Wines:

White	:	1,637
Red	:	843

Cost of wines used:

The total value of the wines used at cost price £50,780.

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 2017/18 Government Hospitality sold stock direct to Farr Vintners Ltd. In total, a return of £50,600 was realised through sales.

The following items were sold:

<i>Wines:</i>	<i>Quantity:</i>
Château Lafite-Rothschild 1988	48 bottles
Château Haut-Brion 1989	6 bottles
Château La Fleur Pétrus 1995	72 bottles
Château Batailley 1996	120 bottles
Château Gruaud-Larose 1996	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 £26,494.

Total receipts / revenues **£77,094**

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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 2017/18 Government Hospitality spent £56,976 on new purchases for the cellar, at an average cost of £12.87 per bottle. 64% of the wine purchased by volume was English or Welsh.

The following types of wine were purchased :

<i>Reception wines:</i>	<i>Quantity:</i>
Chapel Down Bacchus	1440 bottles
Valpolicella Allegrini 2016	960 bottles
 <i>Wines:</i>	
English / Welsh sparkling	900 bottles
English still	504 bottles
Australian	132 bottles
Canadian	48 bottles
Champagne (NV)	60 bottles
New Zealand	192 bottles
South African	192 bottles
 <i>Spirits:</i>	
Gin	18 bottles.