

526702

**THE HOSPITAL AND LIBRARY IN MANCHESTER  
FOUNDED BY HUMPHREY CHETHAM ESQ  
AND INCORPORATED BY KING CHARLES II**

**REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 August 2016**

**CHARITY COMMISSION  
FIRST CONTACT**

**19 JUN 2017**

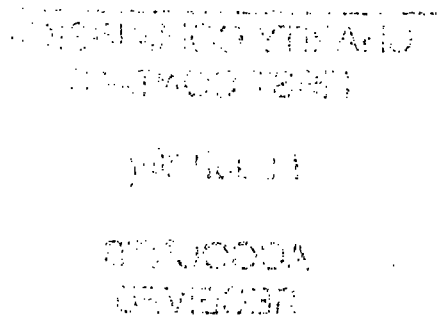
**ACCOUNTS  
RECEIVED**

**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY  
HUMPHREY CHETHAM ESQ AND INCORPORATED BY KING CHARLES II  
ANNUAL REPORT OF THE FEOFFEES  
For the year ended 31 August 2016**

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The Feoffees and School Governing Body present their annual report for the year ended 31 August 2016 under the Charities Act 2011, together with the audited financial statements for the year and confirm that the latter comply with the requirements of the Act, the Charity Commission Scheme dated 27 May 1952 and amended Scheme dated 22 October 1969 and the Charities SORP 2015.

**Reference and administrative details**

The Feoffees who served during the year and up to the date of signing the accounts were as follows:

P.A. Lee, Esq.	(Chairman)
A. Torevell, Esq.	(Vice Chairman)
M. Edge, Esq.	(Treasurer)
R.C. Bailey, Esq.	(Retired October 2015)
Professor H. Barker	(Appointed October 2016)
Professor J. Bergin	(Retired October 2015)
Dame A. Burslem	
Dr. S. Butler	
The Rt. Hon. The Earl of Derby	
J. Early, Esq	
The Very Reverend R. Govender	
Professor E. Gregson	
Dr. D. Hill	
Mrs. S. Marks	(Appointed October 2016)
Mrs. P. Newman	(Appointed February 2017)
M. Oglesby, Esq.	
P. Ramsbottom, Esq.	
H. Ross, Esq.	(Appointed February 2015)

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**School Governing Body**

Under the terms of the Charity Commission Scheme, there is a School Governing Body managing the School of the Foundation, which, when complete, comprises nineteen members.

Those who served during the year and up to the date of signing the accounts were as follows:

Dame A. Burslem	(Chair)
M. Edge, Esq.	(Treasurer)
R.C. Bailey, Esq.	(Retired October 2015)
Canon P. Barratt	(Nominated by the Dean and Chapter of Manchester Cathedral)
Mrs. C. Baxendale	
Dr. B. Brennan	(Appointed by the School Governing Body January 2016)
Ms. A. Corcoran	(Nominated by Manchester City Council)
Councillor J. Davies	(Nominated by Manchester City Council and appointed October 2016)
Dr. D. Hill	(Retired May 2016)
K. Jaquiss, Esq.	(Appointed October 2015)
Mrs. P. Newman	
A. Simpkin, Esq.	(Retired May 2016)
J. Wainwright, Esq.	
S. Webb, Esq.	(Appointed October 2015)

**Library Committee**

Those who served on the Library Committee during the year and up to the date of signing the accounts were as follows:

Dr. S.V.P. Butler	(Chairman)
M. Edge, Esq.	(Treasurer)
R.C. Bailey, Esq.	(Retired October 2015)
Professor H. Barker	
N. Barker, Esq.	
Professor J. Bergin	
Dr. A. Biswell	
Ms. A. Boyle	(Retired October 2015)
J. Early, Esq.	(Appointed January 2017)
Professor P. Fouracre	
J. Jefferson, Esq.	(Retired June 2016)
P. Ramsbottom, Esq.	
Professor M. Schmidt	

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**Officers**

The Head	Mrs. C.J. Moreland	(Retired August 2016)
	A. Jones, Esq.	(Appointed September 2016)
The Bursar	Mrs. S.C. Newman	
The Librarian	Dr. M.R. Powell	
The Clerk to the Feoffees	J. Aldersley, Esq.	

**Address**

Chetham's Hospital School and Library  
Long Millgate  
Manchester  
M3 1SB

**Advisers**

**Bankers**

National Westminster Bank plc  
182 Deansgate  
Manchester  
M3 3LY

**Solicitors**

Butcher & Barlow LLP  
3 Royal Mews  
Gadbrook Park  
Northwich  
Cheshire  
CW9 7UD

Veale Wasbrough Vizards LLP  
Narrow Quay House  
Narrow Quay  
Bristol  
BS1 4QA

**Auditors of the Charitable Foundation**

Crowe Clark Whitehill LLP  
The Lexicon  
Mount Street  
Manchester  
M2 5NT

**Investment advisers**

Castlefield Investment Partners LLP  
9<sup>th</sup> Floor  
111 Piccadilly  
Manchester  
M1 2HY

**Architects**

Worthington Ashworth Jackson Walker  
Carrwood House  
109 Shaw Heath  
Stockport  
Cheshire  
SK2 6QH

Stephenson Studio Limited  
3 Riverside Mews  
4 Commercial Street  
Manchester  
M15 4RQ

Lloyd Evans Prichard Limited  
21 Little Peter Street  
Manchester  
M15 4PS

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**Insurance brokers**

Bluefin Insurance Services Limited  
Applicon Centre  
Exchange Street  
Stockport  
Cheshire  
SK3 0EY

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## **Structure, governance and management**

### **Governing document and structure**

The full name of this Charitable Foundation is "The Hospital and Library in Manchester founded by Humphrey Chetham, Esq. and Incorporated by King Charles II" (Registered Charity Number 526702).

The Foundation, including the School, is regulated by a Charity Commission Scheme dated 27 May 1952, and amended by a Scheme dated 22 October 1969.

The Hospital, School and Library are separate charities but are registered under one Charity Number, following a Uniting Direction issued by the Charities Commission in 2004 for registration and accounting purposes.

The Trustees of the Hospital and Library Charities, who are known as the Feoffees, are a Body Corporate, pursuant to Letters Patent of King Charles II, dated 10 November 1665.

Chetham's Hall Limited is a subsidiary undertaking that is a wholly owned subsidiary of the Hospital

### **Governing bodies**

The Feoffees are the governing body of the Hospital and Library charities. The School Governing Body of Chetham's School of Music is the governing body of the School. The Library Committee acts as the management committee of the Library charity and approval for that Committee's decisions is given by the Feoffees.

From October 2014 the School Committee was renamed the School Governing Body and School Committee Members are now known as School Governors.

### **Recruitment and training**

#### ***Hospital***

Feoffees are appointed under the terms of the Will of Humphrey Chetham. The Chairman, Vice Chairman and Treasurer are elected annually.

The term of office is 5 years and Feoffees may be re-elected.

New Feoffees are chosen from a wide variety of academic and business backgrounds to ensure that the essential level of knowledge and experience is maintained and they are inducted into the working of the Hospital on appointment. Continuing training for existing Feoffees is arranged on an on-going basis as necessary.

#### ***School***

The appointment of members of the School Governing Body is confirmed by the Feoffees except where otherwise stated. The term of office is three years. All members may be re-elected.

A Nominations Committee was formed in December 2013 to manage the effective recruitment and selection of new members.

New members are chosen from a wide variety of academic, musical and business backgrounds and are inducted into the workings of the School by the Head. Safer recruitment procedures are followed for all School Governors including DBS checks. New Governors are inducted into the workings of the School by the Head and continuing training for existing members is organised on an on-going basis as necessary. At each meeting of the Governing Body the opportunity is taken to update members on various aspects of School life and current educational issues. Training this year included an update from the Head of the Junior Department and the School's Child Protection Officer attended the October 2015 meeting to answer questions on the School's Safeguarding Policy.

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***Library***

New members of the Library Committee are selected by the Library Committee and their appointments are confirmed by the Feoffees. Members serve for a three year period with the opportunity for re-election at the end of that time if appropriate. New members are chosen from a wide variety of academic and business backgrounds and are inducted into the workings of the Library by Chetham's Librarian who also arranges for ongoing training for existing members as necessary.

**Organisational management**

The Feoffees are legally responsible for the overall management and control of the Hospital and of the Library. The Feoffees meet formally at least twice a year. The Executive Sub-Committee, formed in 2010, is charged with making recommendations to the Feoffees on strategic matters including reviewing the structure of the Foundation and other important matters. This Sub-Committee consist of Feoffees and senior management of the School and Library. The Investment Sub-Committee oversees the investment portfolio and works with the Investment Managers.

The day to day running of the Hospital is delegated to the Bursar for financial and buildings matters.

The day to day running of the Library is delegated to the Library Committee and to the Librarian.

The School Governing Body is legally responsible for the overall management and control of the School. The Governing Body meets formally at least three times a year. There are three sub-committees of the Governing Body, the Resources Committee (formerly the Finance and General Purposes Committee), the Safeguarding Committee, and the Nominations Committee.

The day to day running of the School is delegated to the Head.

The Remuneration Sub-Committee sets the remuneration packages for the Head, Director of Music and Bursar. The remuneration package of the Librarian is set by the Feoffees. Remuneration packages are informally benchmarked against comparable organisations' pay structures.

**Principal risks and uncertainties**

The Feoffees and the School Governing Body are jointly responsible for the management of the risks faced by the Hospital, School and Library. Detailed considerations of risk are delegated to the Head, Librarian and Bursar and to the Resources Committee which identifies and assesses risks and establishes controls throughout the year.

The Feoffees deem the major risk faced by the Hospital to be the risk that fundraising achievements are insufficient to provide the necessary resources to properly maintain the buildings and resource the activities to which the organisation has committed. The Development Department is monitored on an on-going basis directly by the Feoffees and its reports are scrutinized closely at their regular meetings.

The School Governing Body maintains a comprehensive risk register. Key risks include the impact of a change in the Music and Dance Scheme which is the major source of ongoing fee income for the School, reputational damage caused by an unexpected event, safeguarding and health and safety risks. All of these risks are mitigated by careful planning, thorough checks and reviews being in place and regular monitoring by senior staff and Governors.

The Feoffees deem the major risk to the Library is its financial sustainability. Whilst the Hospital charity is in a position to financially support the Library on an ongoing basis, the Library staff, Feoffees and Library Committee members are committed to sourcing alternative financial resources to provide a sustainable future for the Library.



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The key controls used by the Foundation include:

- formal agendas for the Committee meetings;
- detailed terms of reference for all Committees;
- comprehensive budgeting and management accounting;
- established organisational structure and lines of reporting;
- formal written policies;
- clear authorisation and approval levels; and
- vetting procedures as required by law for the protection of the vulnerable.

Through the risk management processes established for the Foundation the Feoffees and School Governors are satisfied that the major risks have been adequately managed. It is recognised that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed.

### **Objects, aims, objectives and activities**

#### **Charitable objects**

The Feoffees are required, under the terms of the Charity Commission Scheme, to apply the annual income of the Hospital to the maintenance and improvement of the School, Library and Hospital premises, including provisions for extension and improvement of those premises and purchase of additional land and in the payment of grants and allowances and the award, inter alia, of scholarships, maintenance allowances and other financial assistance.

The object of the School is to give a liberal education with due regard to the theory and practice of music.

The object of the Library is to provide, under the Will of Humphrey Chetham, "A Library within the Town of Manchester, for the use of scholars, and others well affected, to resort unto".

#### **Public benefit aims and intended impact**

The Public Benefit aims of the Hospital are to provide the optimum resources to enable Chetham's Library and Chetham's School of Music to excel in their respective fields of expertise and to facilitate wide public access to the services offered by both entities. The Feoffees and School Governors have had regard to the Charity Commissions guidance on Public Benefit.

The Public Benefit aims of the School are as follows:

- To educate musically gifted children between the ages of 8 and 18 whatever their social, racial and cultural background and financial circumstances;
- To provide as broad an academic curriculum as is possible within a specialist school; and
- To develop the whole person, furthering the spiritual, moral, social and cultural development of each student.

The School offers public benefit through its public performances, many of which are free of charge, and its Outreach programme. Outreach activities focus on using Chetham's resources to deliver excellent music learning experiences and engaging the wider community with Chetham's, classical music and the arts more widely.

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Within the Outreach Programme, projects fall broadly into four categories:

- School related – in which young people participate, facilitated by Chetham's working with their schools
- Projects for young people – young people may attend this independently or via other organisations, eg Local Authority Music Services or Children's Services
- Open community activities
- 'Mixed' activities – often large-scale projects which work with a range of groups, community members and education providers.

Additionally, Chetham's provides in the region of 95 free lunchtime concerts per year, free of charge. Performed by Chetham's students, these are city-centre concerts of approximately 45 minutes to an hour so can be visited within a lunch hour.

Chetham's Outreach work may take place on site at Chetham's itself or may take the form of workshops in external venues.

The Outreach work is managed by the Outreach Programme Manager who is responsible to the Director of Music. Each project has a delivery team which may include other Chetham's tutors, professional artists and animateurs as required.

Chetham's works with many project partners to deliver these projects – schools, colleges, music services, charities and many more. Additionally, Chetham's is continually working to develop and build strategic partnerships with a view to contributing to the constant improvement of the local and national music education landscape. Specifically the School is a Strategic Partner in the Greater Manchester Music Education Hub, and this informs the design of its Outreach activities, ensuring that projects aim to meet the needs of young musical learners throughout the region.

The Outreach programme has successfully attracted additional funding from a number of trusts and foundations and Arts Council England.

Chetham's Outreach Activity continued to go from strength to strength during 2015-16. The projects impacted over 3000 people. Over 40 schools benefitted from our projects in a variety of ways, as performers, creators of music and art and as audience members for interactive presentations. Partner organisations included all the music services of the Greater Manchester Music Education Hub, The Bridgewater Hall, Rochdale Festival of Literature and Ideas, Birmingham Conservatoire, Musical Futures, Maghull Community Concert Band and Nordoff Robins. As well as the many Chetham's music tutors involved in the projects, our activities also involved external professional musicians and artists including composer Laura Rossi, Bassoonist Daniel Jemison, Flautist Gareth Davies, Percussionist Gary Kettel and author Alison Keeling.

In total we engaged in 22 projects generating at least 39 individual events or performances. The following projects give a flavour of that activity.

**Get Weaving** was a brand new community opera, commissioned from composer Andrew Keeling and writer Alison Prince. The project was a collaboration with the Bridgewater Hall and formed part of their **Echoes of a Mountain Song** season. The performance in the Bridgewater Hall in April 2016 included Chetham's students (all the singers and a small orchestra), the Maghull Community Concert Band, The Bridgewater Hall Singers (a community choir), children from the Church of England School of the Resurrection, Beswick and a small number of solo singers from around secondary schools in the Greater Manchester area. The piece was inspired by the anniversary of the Mass Trespass up Kinder Scout and explored themes of freedom to enjoy the countryside, but also freedom of thought, expression, freedom to create and social aspiration.

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**Violetta**, Chetham's junior string orchestra, built again on previous experience by visiting 7 schools during the year and presenting a short programme to demonstrate their instruments. Lead by Mr Cox, members of the orchestra take a share in the presenting. Through these concerts, Violetta performed to over 1000 primary school children this year. We worked in close partnership with the local music services of the schools we visited, wherever possible, targeting schools which the services identified as benefitting particularly from the visit. Reasons included the need to give music a boost in the school, a reinforcement and inspiration where string teaching existed already, inspiring children to take up instruments where it didn't and other similar reasons. Where possible, representatives of the services attended in order to follow up immediately with information about where and how to access string lessons.

**Percussion Day** was a single day of workshops and classes with tutors from both Chetham's and Trinity Laban College of Music. The day included a performance of Gary Kettel's Flute Concerto with Anna Oakes and young percussionists from around the region enjoyed classes and lessons with Sophie Hastings, David Hext and Paul Patrick.

The Public Benefit aims of the Library are to maintain the provisions of the Humphrey Chetham Will, and to make improvements to the Library whenever possible. It aims to advance the education of the public by the provision of opportunities to study historical and contemporary literature, specialising in the history of the North West of England.

#### **Objectives for the year**

The major objectives for the Hospital this year have been to continue to fulfill its stated aims, including progressing the Site Development Project plans. Attention has also been given to ensuring that the funds used for the payments of grants, allowances and scholarships have been targeted at those students who will most benefit from the awards.

The main objectives of the School were as follows:

- To ensure that the School's Safeguarding Policy and practices are exemplary and fulfill all regulatory and statutory requirements.
- To continue to achieve consistently high results in musical and academic fields.
- Working with the Feoffees, to further the Site Development Project which has provided the New School Building and the new Stoller Hall, a 482 seat concert hall.
- To continue to provide opportunities to the public via the School's extensive outreach programme, widening access to the School.
- To increase the amount of bursary funding for overseas and home students to enable more students to be supported financially. £72,037 was provided in bursary support this year, an increase of £10,900 from the previous year.

The major objective for the Library this year has been to continue to fulfill its stated aims. This has included contributing to and monitoring the Site Development Project and assessing its future impact upon the operation of the Library as well as continuing to progress the cataloguing work which was started some years ago now but which is dependent upon external financing. Fundraising has been prioritised to help to ensure the Library's activities are sustainable.

#### **Strategies to achieve the year's objectives**

The strategies used to achieve the Hospital's objectives this year include: constructing the new concert hall; demolishing the Palatine Building; further developing the plans for the Medieval Manchester Visitor Attraction; as well as continuing to raise the necessary financial support for the continuation of the Site Development Project. The securing of the financial viability of Chetham's Library is also being reviewed in conjunction with the Library Committee. The independent Safeguarding Commission, set up in 2013 to oversee safeguarding matters in the School, continued to meet throughout the year.

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The School's strategies included:

- The School's Safeguarding Committee monitors safeguarding matters at each of its meetings. The Safeguarding Policy is updated and reviewed at least annually by the School and Governors.
- Continuing to employ and invest in the best possible staff in all departments in the School.
- Providing opportunities for Chetham's students and the public to participate in high quality events including masterclasses, recitals, orchestral concerts and numerous specialist teacher and student days throughout the year.
- Working closely with the Feoffees and Library Committee on the Site Development Project as the New School Building was completed and opened in September 2012, the Nicholls Building conversion was completed and opened in September 2013, and continuing to plan the whole site redevelopment, including the construction of the concert hall which is due to formally open in April 2017.
- Identifying and working with potential providers of bursary funding.

The strategies used by the Library to achieve this year's objectives included reviewing the securing of the financial viability of the Library, continuing and expanding on the strong links with other academic institutions and Manchester Cathedral and targeted expansion of the holding of relevant books and other materials.

#### **Principal activities of the year**

The principal activities of the Hospital were the provision of premises to house the School and Library and associated activities, together with the awarding of grants to the Library and to students of the School.

The principal activity of the School was the provision of a musical and academic education to young people between the ages of 8 and 18. The School also provides an extensive outreach programme to encourage wider community access to the excellent teaching resources of the School.

The principal activity of the Library was the provision of a library and associated activities.

#### **Foundation buildings**

Under the Will of Humphrey Chetham who died in 1653, College House was purchased for the foundation of a Hospital and Library. The accounts of the Foundation do not incorporate any value of College House.

The value of land and buildings shown in the financial statements is the purchase price of the Palatine and Millgate Buildings, and the construction costs of New College House, the Millgate extension, the New School Building, the conversion costs for the Nicholls Building re-development and the construction costs of the Concert Hall, all net of depreciation where relevant, together with the purchase price of the parcel of land at Walkers Croft. The buildings are insured for £95 million on a rebuilding basis.

The Hospital is responsible for the external repair and maintenance of the Foundation buildings, and the costs are charged to its annual accounts as incurred. The School and Library pay for internal repairs and maintenance within their own respective accounts.

#### **Grant making policy**

The Feoffees make awards on the basis of an individual's financial position. Any particular conditions imposed by donors are taken into account when making awards.

Whilst most of the awards from the Hospital are small and given as bursaries, any grant from the Instrument Fund is given to parents in support of their requests for assistance in buying instruments for their children. The parents usually have to contribute to any purchase. This year, the value of awards made by the Hospital to the School's students was £1,000 (2015 - £ 2,300). A grant of £85,585 (2015 - £87,616) was made to Chetham's Library during the year.

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Around 90% of the students at Chetham's are eligible for means-tested support through the Music and Dance Aided Pupil Scheme, funded by the Department for Education (DfE). This Scheme ensures that families are only asked to contribute towards the fees of the School at a level that they can afford. For a number of reasons, usually because the Scheme is primarily for UK residents, a small number of students are not eligible for financial support through the DfE scheme. A significant part of the School's activities is the provision of bursaries to these students, to facilitate the widening of access to the School. Bursaries are awarded from both unrestricted and restricted funds and awards are based on the School's assessment of financial need. Detailed means testing is carried out by the School to ensure that its funds are directed towards those who would otherwise not be able to afford to come to Chetham's. This year the School contributed £103,962 (2015 - £97,201) from Unrestricted Funds and £66,318 (2015 - £55,041) from Restricted Funds to support students financially. The amount contributed each year varies according to specific need in each particular year.

## **Review of achievements and performance for the year**

### **Review of activities**

#### ***Hospital***

As for last year, the major activity of the Hospital during this year has been to progress the Site Development Project. This Project was divided into three phases: to construct the New School Building, including constructing a 482 seat concert hall, to refurbish the residential accommodation in the Millgate and Nicholls Buildings and to increase public access to the medieval estate by the opening of the Medieval Manchester Visitor Attraction. Fundraising for the Project continues to go well with over £40 million having been raised.

The New School Building was completed in the summer of 2012 and the School moved in at the start of the new academic year in September 2012. The next task was to provide new residential accommodation in the newly vacated Nicholls Building for the youngest group of students and this was completed in time for the students to move in at the beginning of September 2013.

Following the confirmation of the Stoller Charitable Trust pledge of £7.5 million, the construction of the concert hall commenced in 2014. It was completed in September 2016 and its official opening will take place in April 2017.

Also this year the demolition of the Palatine Building took place. Phase 2 of the demolition, the making good of the footprint area, is on-going and subject to planning consent. Plans are being made for the separation of the School site from the Visitor Attraction areas, and for significantly upgrading the Waterhouse Building, which will become a major part of the visitor experience. The Feoffees are working closely with a variety of partners and neighbours with the aim of providing an exciting and unique experience for tourists and other visitors.

Safeguarding matters were also at the forefront of activities, supporting the School in ensuring that systems were effective.

The Feoffees consider that the activities of the School and Library and of itself further the Hospital's charitable purposes for the public benefit as the Hospital contributes to enhancing those activities.

#### ***School***

At the start of the year there were 295 students on roll, compared to 292 the previous year. This number includes 7 Choristers, as the School acts as the Choir School for Manchester Cathedral. There were 153 girls and 142 boys, with 135 students in the 6<sup>th</sup> Form, 145 in Years 7 to 11 and 15 Juniors. Most (72%) students are boarders, with the remainder living within commuting distance of the School.

The School admits students solely on the basis of musical ability and applicants are rigorously auditioned for selection. For entry in September 2015 there were 137 applications and 119 auditions with 79 children successfully joining the School. In addition the School carries out many free advice auditions where children who may be considering applying to the School are given professional feedback on their playing and musical ability.

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A total of 263 places at the School are funded each year by the Department for Education under the Government-funded Music and Dance Schools (MDS) Aided Pupils Scheme. This Scheme allows for means testing with fee remission for eligible families. The School also provides substantial bursary funding for exceptionally talented students who are not eligible for the MDS Scheme, and for other families who may be suffering financial hardship. The average award this year was £6,307 (2015 - £9,515), providing support to a total of 27 (2015 – 16) students. The number of students who are helped financially varies each year according to need. Chorister places at Chetham's are also significantly supported by the School as the fees for Choristers are discounted by over 60%. The School aims to help as many students as it can in this way as it believes that the musical education that it provides benefits the public as well as the individuals concerned.

The Music Department was extremely busy and successful during the year. As a result of the success of last year's Haworth Trust Masterclass Series, the School held a further series this year with many outstanding former Chetham's students, including Peter Moore (Co-Principal Trombone of the LSO at the age of 18), Stephen Hough, Peter Donohoe and Guy Johnson. Franz Anton Krager conducted the CSO in a pair of concerts in October, marking the 150<sup>th</sup> anniversary of the birth of Sibelius. To round off the School year, Venezuelan conductor Ilyich Rivas conducted Mahler's First Symphony at the Bridgewater Hall, with the School's regular musical partners, St. George's Singers.

The School provided masterclasses with inspirational visiting musicians including Stephen Barratt Due on violin, Kathryn Bryan on flute, Simone Robello on percussion, amongst many others. Chamber and ensemble concerts and workshops were held, open to all to attend, often free of charge or at a nominal cost, to allow access for as many of the public as possible. The Outreach Department, in partnership with music education hubs and arts organisations from across the region and nationwide, provided high quality, interactive learning activities for individuals, schools and other community groups.

Education is a public benefit in its own right. As well as providing an exemplary level of music education, the academic results of the School continue to be very satisfactory. A level results were excellent with 83% of the candidates receiving A\* to B passes. Results at GCSE level were also pleasing with 70% passes at A and A\*. Education at the level provided by the School in Music and other subjects to such a high standard provides not only world class musicians of the future but rounded individuals who have the choice of where their future lives may lead.

Destinations of the Upper 6<sup>th</sup> Form leavers continue to be varied. 36 (68%) of the leavers were accepted to read Music at university, music college or conservatoire, and the most popular destinations were the Royal College of Music and the Royal Academy of Music. Other (non-Music) destinations included Newcastle, Warwick and Queen's Belfast, for subjects such as Medicine, Mathematics and Law and Politics.

Considerable time was spent during the year on the Site Development Project. The New School Building was opened in September 2012 and is a world class building for our current students and the students of the future and as a national and international resource for musical education. The Building also houses the new Carole Nash Recital Hall and the Stoller Hall, the new 482-seater concert hall, due to have its Royal Opening in April 2017.

### **Library**

Chetham's Library is widely recognised as the oldest surviving public library in the English speaking world, remaining in continuous use from its foundation in 1655 to the present day. It forms a resource that has few parallels, being a major research library, heritage complex and arts organisation. Its significance has been recognized by Arts Council England through Designation of its collection as being of national and international importance.

The Library was grateful to receive various grants during the year for new project work. Work on the Hulme Trust archives was started and work continued on the Belle Vue project, funded by the Esme Fairbairn Foundation. Many conferences, workshops and lectures took place, including a day of events held in November in partnership with HOMEMcr to celebrate the birthday of Friedrich Engels.

**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY  
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ANNUAL REPORT OF THE FEOFFEEES  
For the year ended 31 August 2016**

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A significant amount of time has been spent on the Visitor Attraction project and on the strategy work regarding the Library's sustainability. A major application to the Heritage Lottery Fund was submitted in December 2016, which, if successful, will provide significant funding to safeguard the Library and medieval buildings and provide unprecedented access to Chetham's heritage. The aim is to return the medieval and Victorian buildings to a condition fit for purpose and to make use of them to display the Library's Collections.

Fundraising for the Library's work continues. The Patrons of Chetham's Library scheme was launched in 2013 and raised £2,479 this year (2015: £2,963).

**Fundraising performance against objectives**

During the year £6,294,030 (2015: £2,202,767) was donated or bequeathed to the Foundation. The Feoffees and School Governing Body have set general targets for the Development Department, both for unrestricted and restricted income and consider that the year's results are satisfactory.

**Investment performance against objectives**

The investment powers of the Foundation are subject to statutory provisions, in particular the Trustees Investments Act 2000.

The policy is to maintain income whilst preserving the real value of endowed investments and to maximise income on temporarily invested funds.

Castlefield Investment Partners LLP acting as Investment Managers have discretionary powers to manage the portfolio and their performance is monitored on a regular basis against agreed benchmarks by the Investment Sub-Committee. The Feoffees and School Governing Body consider that the year's results are satisfactory.

The annualised total return of £245,983 (6.2%) achieved for the year on the Foundation's investment assets was lower than the £260,115 (6.6%) for the previous year.

Investment income in the Hospital rose during the year to £19,205 (2015 - £18,294) and realised gains were £303 (2015 – losses of £499).

Investment income in the School increased during the year to £34,660 (2015 - £29,954) and realised investment gains were £242 (2015 – losses of £450).

Investment income in the Library increased during the year to £98,894 (2015 - £91,605) and realised investment gains were £1,878 (2015 – losses of £405).

**Financial Review**

The Foundation recorded an overall surplus on unrestricted funds of £248,634 (2015 – £108,577) and its total Unrestricted Funds now stand at £6,911,896 (2015 - £6,663,262).

The Hospital recorded a surplus on unrestricted funds for the year of £79,733 (2015 – deficit of £108,355) and its total Unrestricted Funds now stand at £2,449,374 (2015 - £2,369,641). This includes a deficit of £154,687 (2015 – £268,338) in Designated Funds.

The School recorded a surplus on unrestricted funds for the year of £170,207 (2015 – surplus of £220,114) and its total Unrestricted Funds now stand at £4,242,965 (2015 - £4,072,758). This includes £33,793 (2015 - £91,510) which is designated for a variety of specific purposes.

The Library recorded a deficit on unrestricted funds for the year of £1,306 (2015 – surplus of £3,182) and its total Unrestricted Funds now stand at £219,557 (2015 - £220,863). This includes £22 (2015 - £1,330) which is designated for a variety of specific purposes.

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## **Reserves policy**

### ***Introduction***

Notes 16 to 19 of the financial statements set out an analysis of the assets attributable to the various Funds together with a description of the major components of those Funds. These assets are sufficient to meet the financial obligations on a fund by fund basis.

The Hospital "which owns the buildings" is primarily dependent on rent from the School for its income. It was the policy of the Feoffees up to the year ending 31 August 2012 to reduce the deficit of free reserves in the Hospital each year. The deficit on free reserves was eliminated in that year and the Feoffees then aimed to steadily increase the balance to an appropriate level. The deficit returned in the year to 31 August 2014, mainly due to expenditure on the Palatine Building Demolition Project, however the Feoffees aim to increase the balance of free reserves each year, to bring the level up to an amount felt to be appropriate in the circumstances.

It is the policy of the School Governing Body to increase free reserves each year by 10% when there is no call on the reserves to cover unexpected costs. The Governing Body's aim is to bring the level of reserves to a substantially higher level than at present to safeguard against income deterioration or unexpected costs.

The Feoffees and Library Committee aim to ensure that the free reserves of the Library cover approximately one year's expenditure.

### ***Review of policies***

These policies will be reviewed every three years by the Treasurer and Bursar and brought to the attention of the Feoffees and the School and Library Committees as part of the review of all policies.

### ***Level of Reserves***

Unrestricted reserves of the Foundation held at 31 August 2016 were £6,911,896 (2015 - £6,663,262) of which £(120,872) (2015 - £(175,498)) is designated for specific purposes.

The unrestricted reserves are substantially invested in the tangible fixed assets of the Foundation. In the year to 31 August 2016 the surplus on free reserves increased to £4,556,379 (2015 - £4,221,858).

Restricted reserves of the Foundation were £34,795,161 (2015: £29,727,032)

### ***Hospital***

Free reserves of the Hospital are £171,189 (2015 – deficit of £18,711).

Restricted reserves are £32,040,756 (2015: £27,179,742). 3 (2015: 2) capital project funds are in deficit at the year end by £3,547,006 (2015: £3,356,446) as expenditure has been incurred in advance of income being received for the projects.

### ***School***

Free reserves of the School are £4,195,633 (2015 - £4,049,706). At present, the level of reserves is equivalent to nearly twenty six weeks' expenditure.

Restricted reserves are £2,709,486 (2015: £2,482,983) and are held for a variety of purposes.

### ***Library***

Free reserves of the Library are £189,557 (2015 - £190,863). This is just under one year's operating costs and is deemed to be sufficient at present, although it is hoped that the balance would increase each year to cover rising costs.

Restricted reserves are £44,919 (2015: £64,307) and are held for a variety of purposes.



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For the year ended 31 August 2016**

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**Plans for future periods**

The Feoffees and School Governing Body aim to support continuation and progression of the excellent work carried out by the staff of the School and Library.

The Site Development Plan will continue as funding allows. The construction of the concert hall commenced in 2015 and is due to be formally opened in Spring 2017. The Palatine Building demolition started in Autumn 2015 and completed in Autumn 2016. The Feoffees plan to launch the Medieval Manchester Visitor Attraction, featuring Chetham's Library and the medieval buildings as soon as funding is available.

The financial security of the Library has to be secured and this will be a major part of the Feoffees' work in the near future.

**Disclosure of information to the auditors**

So far as each person who was a Feoffee at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow Feoffees and the charity's auditors each Feoffee has taken all the steps that he or she is obliged to take as a Feoffee in order to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

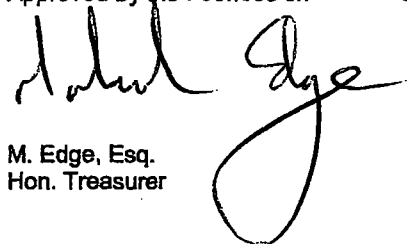
**Statement of Feoffees' responsibilities in respect of the financial statements**

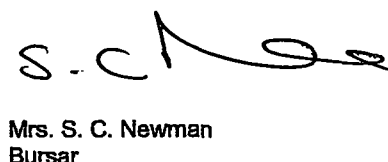
Charity law requires the Feoffees to prepare financial statements for each year which give a true and fair view of the charity's financial activities during the year and the financial position at the end of the year. In preparing those financial statements, the Feoffees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Feoffees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Feoffees on 8th June 2017 and signed on their behalf by:

  
M. Edge, Esq.  
Hon. Treasurer

  
Mrs. S. C. Newman  
Bursar

**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY  
HUMPHREY CHETHAM ESQ AND INCORPORATED BY KING CHARLES II  
INDEPENDENT AUDITORS' REPORT  
For the year ended 31 August 2016**

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We have audited the financial statements of the Hospital and Library in Manchester Founded by Humphrey Chetham Esq. for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Feoffees and auditor**

As explained more fully in the Statement of Feoffees' Responsibilities, the feoffees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Feoffees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 August 2016 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Feoffees Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or

THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY  
HUMPHREY CHETHAM ESQ AND INCORPORATED BY KING CHARLES II  
INDEPENDENT AUDITORS' REPORT  
For the year ended 31 August 2016

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- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

*Crowe Clark Whitehill LLP*

**Crowe Clark Whitehill LLP**

Statutory Auditor

The Lexicon

Mount Street

Manchester

M2 5NT

*14th June 2017.*

**The Hospital and Library in Manchester founded by Humphrey Chetham Esq  
and incorporated by King Charles II**

**STATEMENT OF FINANCIAL ACTIVITIES**  
**For the year ended 31 August 2016**

	Notes	Hospital Funds	School Funds	Library Funds	2016	2015
		£	£	£	£	£
<b>Income from:</b>						
<b>Charitable activities:</b>						
School fees	2	-	8,710,632	-	8,710,632	8,405,468
Ancillary trading	6	689	339,574	3,334	343,597	335,000
Activities for generating funds	3	108,271	56,730	-	165,001	186,025
Investment income	4	19,205	34,660	98,894	152,759	139,853
Bequests and donations	5	5,976,163	276,881	40,986	6,294,030	2,202,767
Grants received		-	10,762	-	10,762	4,210
<b>Total incoming resources</b>		<b>6,104,328</b>	<b>9,429,239</b>	<b>143,214</b>	<b>15,676,781</b>	<b>11,273,323</b>
<b>Expenditure on:</b>						
<b>Raising funds:</b>						
Fundraising		106,824	32,127	-	138,951	115,785
Publicity		-	101,647	-	101,647	94,731
Conference and facility hire costs		95,442	32,390	359	128,191	131,732
Financing costs		171,665	4,081	-	175,746	181,343
Investment management costs		1,364	1,398	4,702	7,464	7,048
		<b>375,295</b>	<b>171,643</b>	<b>5,061</b>	<b>551,999</b>	<b>530,639</b>
<b>Charitable activities:</b>						
Teaching costs -- academic		-	1,818,733	-	1,818,733	1,747,019
Teaching costs -- music		-	3,212,218	-	3,212,218	3,071,490
Welfare		-	1,253,052	-	1,253,052	1,218,427
Premises		1,609,453	1,523,889	-	3,133,342	2,999,833
Scholarships and bursaries		-	66,318	-	66,318	55,041
Grants, awards and prizes		1,000	7,626	-	8,626	10,075
Library running costs		-	-	245,334	245,334	223,314
Support and Governance costs		29,947	86,266	1,540	117,753	126,465
		<b>1,640,400</b>	<b>7,968,102</b>	<b>246,874</b>	<b>9,855,376</b>	<b>9,451,664</b>
<b>Total resources expended</b>	9	<b>2,015,695</b>	<b>8,139,745</b>	<b>251,935</b>	<b>10,407,375</b>	<b>9,982,303</b>
<b>Net income/(expenditure)</b>		<b>4,088,633</b>	<b>1,289,494</b>	<b>(108,721)</b>	<b>5,269,406</b>	<b>1,291,020</b>
Transfer between funds	10	841,415	(927,000)	85,585	-	-
Gains/(losses) on investment assets:						
Realised		303	242	1,878	2,423	(1,354)
Unrealised		55,064	33,974	71,657	160,695	121,616
<b>Net movement in funds</b>		<b>4,985,415</b>	<b>396,710</b>	<b>50,399</b>	<b>5,432,524</b>	<b>1,411,282</b>
Fund balances at 1 September 2015		<b>29,986,267</b>	<b>6,555,741</b>	<b>2,699,147</b>	<b>39,241,155</b>	<b>37,829,873</b>
<b>Fund balances at 31 August 2016</b>		<b>34,971,682</b>	<b>6,952,451</b>	<b>2,749,546</b>	<b>44,673,679</b>	<b>39,241,155</b>

**The Hospital and Library in Manchester funded by Humphrey Chetham Esq  
and incorporated by King Charles II  
BALANCE SHEET  
For the year ended 31 August 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Heritage assets	11	30,000	30,000
Tangible fixed assets	11	37,438,261	31,683,590
Investments	12	<u>4,109,886</u>	<u>3,953,328</u>
		41,578,147	35,666,918
<b>Current assets</b>			
Debtors - fees		480,700	525,905
- other debtors and prepayments	13	398,826	273,483
Cash at bank and in hand		<u>8,308,032</u>	<u>8,631,232</u>
		9,187,558	9,430,620
<b>Creditors: amounts falling due within one year</b>	14	<u>(3,658,316)</u>	<u>(3,298,675)</u>
<b>Net current assets</b>		<u>5,529,242</u>	<u>6,131,945</u>
<b>Total assets less current liabilities</b>		47,107,389	41,798,863
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(2,433,710)</u>	<u>(2,557,708)</u>
<b>Total net assets</b>	16	<u>44,673,679</u>	<u>39,241,155</u>
 <b>Endowment funds</b>	17	2,966,622	2,850,861
<b>Restricted funds</b>	18	34,795,161	29,727,032
<b>Unrestricted funds</b>	19	<u>6,911,896</u>	<u>6,663,262</u>
<b>Total funds</b>		<u>44,673,679</u>	<u>39,241,155</u>
 Hospital funds		34,971,682	29,986,267
School funds		6,952,451	6,555,741
Library funds		<u>2,749,546</u>	<u>2,699,147</u>
<b>Total funds</b>	16	<u>44,673,679</u>	<u>39,241,155</u>

The financial statements were approved and authorised for issue by the Feoffees on 8th  
June 2017 and signed on their behalf by:

P. A. Lee, Esq.  
Chairman

M Edge, Esq.  
Hon. Treasurer

**The Hospital and Library in Manchester funded by Humphrey Chetham Esq  
and incorporated by King Charles II  
CASH FLOW STATEMENT  
For the year ended 31 August 2016**

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	<i>Cash flow statement notes</i>	<i>2016 £</i>	<i>2015 £</i>
<b>Net cash inflow from operations</b>			
Net cash provided by operating activities	1	6,326,140	3,890,172
<b>Cash flows from investing activities</b>			
Investment income		152,759	139,853
Bank loan and interest payable		(175,746)	(181,343)
Payments to purchase buildings and other fixed assets		(6,532,831)	(1,333,559)
Payments to acquire investments, including cash awaiting investment		(38,164)	(681,860)
Receipts from sales of fixed asset investments		51,381	673,771
Decrease/(increase) in cash held by investment advisors		(6,657)	7,349
<b>Net cash used in investing activities</b>		<u>(6,549,258)</u>	<u>(1,375,789)</u>
<b>Cash flow from financing activities</b>			
Bank loan repayments		(100,082)	(94,335)
<b>Net cash used in financing activities</b>		<u>(100,082)</u>	<u>(94,335)</u>
<b>Change in cash and cash equivalents in the reporting period</b>		(323,200)	2,420,048
Cash and cash equivalent at the beginning of the period		<u>8,631,232</u>	<u>6,211,184</u>
Cash and cash equivalent at the end of the period	2	<u>8,308,032</u>	<u>8,631,232</u>

**The Hospital and Library in Manchester funded by Humphrey Chetham Esq  
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NOTES TO THE CASH FLOW STATEMENT  
For the year ended 31 August 2016**

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**1. Reconciliation of net income to net cash flow from operating activities**

	2016 £	2015 £
Net incoming resources	5,269,406	1,291,020
Depreciation	778,160	777,665
Investment income	(152,759)	(139,853)
Bank and loan interest payable	175,746	181,343
Increase in debtors	(80,138)	(185,455)
Increase in creditors	335,725	1,965,452
Net cash inflow from operating activities	<u>6,326,140</u>	<u>3,890,172</u>

**2. Analysis of cash and cash equivalent**

	2016 £	2015 £
Cash at bank	8,308,032	8,631,232
	<u>8,308,032</u>	<u>8,631,232</u>

**The Hospital and Library in Manchester funded by Humphrey Chetham Esq  
and incorporated by King Charles II  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 August 2016**

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**1. Statement of accounting policies**

***Basis of preparation of accounts***

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), the Charities Act 2011 and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - effective 1 January 2015. The date of transition to FRS102 was 1 September 2014 and in preparing the financial statements, the Trustees have considered whether the accounting policies required by the standard require the restatement of comparative information. There have been no numerical changes as a result of the transition to FRS 102, the reserves position is unadjusted from the previously reported position.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2015 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The Foundation has taken advantage of the exemption available to a qualifying entity in FRS 102 from the requirement to present a charity only Cash Flow Statement with the consolidated financial statements.

The functional currency of the Foundation is considered to be GBP because that is the currency of the primary economic environment in which the Foundation operates.

The accounts are drawn up on the historical cost basis of accounting, as modified by the revaluation of investment properties and other investments.

The Foundation is a Public Benefit Entity registered as a charity in England and Wales. It is registered as a charity on the Charity Commission website (charity number: 526702).

No material uncertainties that may cast significant doubt about the ability of the Foundation to continue as a going concern have been identified by the Feoffees or School Governing Body.

The Feoffees have exciting plans for the site and in Summer 2012, with the opening of the New School Building, completed the first phase of the Site Development Project. Significant levels of funding have already been committed to this Project, with the purchase of the parcel of land on Walkers Croft in 2008, the construction of the New School Building, the conversion of the Nicholls Building to residential accommodation and the construction of the new concert hall, the Stoller Hall, as well as demolishing the Palatine Building in 2016. The Foundation has a Fundraising Strategy in place to raise the necessary funds for the Project with nearly £42 million having been raised to date. The opening of the medieval buildings as part of the Visitor Attraction Project is the next priority.

A significant proportion of fee income for the School is receivable from the Department for Education (DfE) under the Music and Dance Aided Pupil Scheme (MDS). In the current year £6,730,907 was receivable (2015 - £6,399,119). The DfE have provided assurances to the School that they foresee the MDS Scheme being continued in its current form for the foreseeable future.



**The Hospital and Library in Manchester funded by Humphrey Chetham Esq  
and incorporated by King Charles II  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 August 2016**

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**1. Statement of accounting policies (continued)**

***Uniting direction***

A Uniting Direction was issued by the Charities Commission on 25 June 2004. This links the Chetham's Hospital, School and Library charitable strands for the purposes of registration and accounting under the Charities Act 1993. The Charity Commission has agreed to the adapted format of the Statement of Financial Activities wherein funds are categorised by component charitable strand rather than by type.

Chetham's Hall Limited is a subsidiary undertaking that is a wholly owned subsidiary of the Hospital.

***Fees and similar income***

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Fees receivable are stated after deducting bursaries granted by the School, but include contributions received from Restricted Funds towards fees.

***Donations and bequests***

Donations and bequests received for the general purposes of the Foundation are credited to unrestricted funds. Donations and bequests subject to specific wishes of the benefactors are credited to restricted funds, or to endowment funds where the amount is required to be held as permanent capital.

Donations and bequests are accounted for as and when entitlement arises, the amount can be reliably qualified and the economic benefit to the school is considered probable.

***Investment and covenant income***

Credit is taken for investment and covenant income, including related taxation, on an accruals basis. The income from COIF Accumulation units is automatically reinvested and this income is not disclosed as such in the accounts because there is a corresponding increase in the valuation of the original subscribed units.

***Resources expended***

Expenditure is accrued as soon as a liability is considered probable, discounted to present value for longer- term liabilities. Overheads and other costs not directly attributable to particular functional activity categories are apportioned over the relevant categories on the basis of management estimates of the proportions of individuals' time attributable to that activity in the year. The irrecoverable element of VAT is included with the item of expense to which it relates.

Governance costs comprise the costs of running the charity, including strategic planning for its future development, also external audit, any legal advice for the Feoffees and School and Library Committees, and all costs of complying with constitutional and statutory requirements, such as the costs of meetings of the Feoffees, the School Governing Body and the Library Committee and of preparing statutory accounts and satisfying public accountability.

***Tangible fixed assets and depreciation***

The Foundation's Collections and Management Plan, available from Chetham's Librarian upon request, details the Foundation's policy for the acquisition, preservation, management and disposal of its heritage assets.

College House and the Collections are deemed to have indeterminate lives and therefore the Feoffees do not consider it appropriate to charge depreciation.

**The Hospital and Library in Manchester funded by Humphrey Chetham Esq  
and incorporated by King Charles II  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 August 2016**

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**1. Statement of accounting policies (continued)**

***College House***

The site of Chetham's, on a sandstone outcrop at the confluence of the Rivers Irwell and Irk, has been of strategic importance and occupied since Roman times. College House, in 1421, was the largest building in the medieval town of Manchester. The buildings have been used to house the School since 1653 and are Grade 1 listed.

The Feoffees consider that, owing to the incomparable nature of the buildings, conventional valuation approaches lack sufficient reliability and even if valuations could be obtained, the costs of doing so would be onerous compared with the additional benefits derived by the Foundation and users of the accounts. As a result, no value is reported for this asset in the Balance Sheet.

***The Library's Collections***

The Library's Collections were started in 1655. From illuminated manuscripts made for kings and queens to the minutiae of personal life – diaries, letters, account books – the Library has a wealth of special items and collections. Chetham's holds over forty medieval manuscripts, including the thirteenth century *Flores Historiarum* of Matthew Paris. The Collections are mainly concerned with the history of the North West of England and include the first ever census of Manchester compiled in 1773-74. There are well over 120,000 printed items, over half of which were published before 1850.

It is considered that obtaining valuations for the vast majority of the Collections would involve disproportionate cost due to the size and diversity of the items and so these assets are therefore not recognised in the Balance Sheet. Significant acquisitions from September 2009 onwards will be reported at cost, where the item is purchased, or if donated, at the current value if it is readily discernable, for example by using a probate value.

The Feoffees will very occasionally approve the disposal of items of the Collections, for example when an item is of doubtful provenance or is a duplicate of an item already in a Collection. Where items that are not recognised as fixed assets are disposed of, the proceeds are reported in the Statement of Financial Activities. Disposal proceeds are also disclosed separately in the notes to the accounts.

The Collections are deemed to have indefinite lives and therefore no depreciation is charged.

***Preservation costs***

Expenditure which, in the Feoffees' view, is required to preserve or clearly prevent further deterioration of College House or individual Collection items is recognised in the Statement of Financial Activities when it is incurred.

***Other assets***

The cost of freehold buildings which are not classed as heritage assets is written off by annual installments over their expected useful lives as follows:

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**1. Statement of accounting policies (continued)**

Freehold buildings: 40 - 60 years

The cost of the land acquired in 2008 is not written off but is kept in the accounts as a capital item matched by a restricted Capital Fund as its purchase was funded by a grant from the NWDA for that specific purpose.

Expenditure on instruments, furniture and equipment etc. costing less than £10,000 is written off as an expense in the year incurred.

Depreciation is provided on the cost of tangible fixed assets, to write them down in equal instalments to their estimated residual values based current market prices over their expected useful lives as follows:

Furniture, fittings and equipment:	5 years
Instruments:	3 years

Grants received towards capital expenditure are credited to the appropriate restricted fund upon entitlement thereto; any depreciation of the grant-funded proportion of such fixed assets expenditure is charged to the related restricted fund.

***Investments***

Investments are valued in the balance sheet at their mid-market value at the balance sheet date. Investment management fees are accounted for as incidental costs of the acquisition or disposal where transaction-based. Other management fees are disclosed separately as Resources Expended in the Statement of Financial Activities.

Investment in subsidiaries are valued at cost less provision for impairment.

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**1. Statement of accounting policies (continued)**

***Pension schemes***

Contributions are made to the multi-employer defined benefit Teachers' Pension Scheme at rates set by the Scheme Actuary and advised by the Scheme Administrator. Contributions are also made to the Greater Manchester Pension Fund, a multi-employer defined benefit pension scheme, for a small number of non-teaching staff, and also to a money purchase pension scheme for other non-teaching staff. In accordance with FRS 102 all schemes are accounted for as defined contribution schemes and contributions therefore are charged in the Statement of Financial Activities as they become payable.

***Operating leases***

Rentals applicable to operating leases are charged to the Statement of Financial Activities as they fall due.

***Taxation***

As a registered charity, the Foundation and its associated funds are not subject to taxation on its surpluses. However, provision is made for corporation tax on any trading profits generated by Chetham's Hall Limited after provision for Gift Aid payment.

***Financial instruments***

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised with the exception of investments which are held at fair value. Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. A specific provision is made for debts for which recoverability is in doubt. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions. Assets and liabilities held in foreign currency are translated to GBP at the balance sheet date at an appropriate year end exchange rate.

***Critical accounting judgements and key sources of estimation uncertainty***

In the application of the accounting policies, Feoffees and School Governors as trustees are required to make judgement, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affected current and future periods.

In the view of the Feoffees and School Governors, no assumptions concerning the future or estimation uncertainty affecting assets or liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

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**2. Fees receivable**

	2016 £	2015 £
Gross fees receivable	8,814,594	8,502,669
Less: total bursaries, grants and allowances	(170,280)	(152,242)
	<hr/>	<hr/>
Scholarships and bursaries financed from restricted and endowment funds	8,644,314	8,350,427
	66,318	55,041
	<hr/>	<hr/>
	<u>8,710,632</u>	<u>8,405,468</u>
The total educational awards financed from restricted funds comprise:		
	2016 £	2015 £
Scholarships and bursaries	66,318	55,041
Grants, awards and prizes	6,719	6,096
	<hr/>	<hr/>
	<u>73,037</u>	<u>61,137</u>

**3. Other trading activities**

	2016 £	2015 £
Trading income, summer schools and facility hire	<u>165,001</u>	<u>186,025</u>

Trading income includes £108,271 (2015: £91,217) in relation to Chetham's Hall Limited.

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**4. Investment income**

	2016 £	2015 £
Income from UK listed investments (gross)	134,785	125,721
Interest on funds deposited on bank reserve accounts	17,974	14,132
	<u>152,759</u>	<u>139,853</u>

**5. Bequests and donations**

During the year significant bequests and donations were gratefully received from the following:

The Arts Council, Bluefin Insurance Services Ltd, Dewhurst Torevell & Co Ltd., the Albert and Eugenie Frost Music Trust, the Haworth Charitable Trust, the estate of the late P. M. Henthorne, Hulme Trust Estates (Educational), the Ida Carroll Trust, Mrs. J. Oglesby, the Oglesby Charitable Trust, Sir Seigmund Warburg's Voluntary Settlement, the Stoller Charitable Trust, Mr E. Sutaria, the estate of the late J. W. Sykes and the Zochonis Charitable Trust.

Donations were also received from many other sources and the Feoffees and School Governors wish to express their sincere gratitude to all donors.

**6. Other income**

	2016 £	2015 £
<b>Charitable activities</b>		
Concert income	33,627	36,380
Piano Summer School	289,737	278,452
Sundry income	20,233	20,168
	<u>343,597</u>	<u>335,000</u>

**7. Expenditure**

	2016 £	2015 £
Charitable expenditure includes:		
Depreciation of fixed assets	778,160	777,665
Auditors' remuneration: audit services	16,260	16,420
Operating lease costs	<u>36,530</u>	<u>36,530</u>

The above excludes rent of £627,000 (2015 - £627,000) paid by Chetham's School of Music to Chetham's Hospital which is eliminated by way of transfers between funds (note 10).

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**8. Employment costs**

	2016 £	2015 £
Wages and salaries	5,088,299	4,951,719
Social security costs	405,632	371,621
Pension contributions	588,427	518,376
	<u>6,082,358</u>	<u>5,841,716</u>

The average monthly number of employees in the year was 289 (2015 - 284) of which 173 (2015 – 172) were teaching staff.

The key management personnel comprise the Head, the Bursar, the Director of Music and Chetham's Librarian.

The total employment benefits of the key management personnel were £340,383 (2015: £337,560).

Neither the Feoffees nor members of the other Foundation Committees nor persons connected with them received any remuneration, other benefits or reimbursement of expenses from the Charities or from any connected organisation during the year nor in the previous year, other than one member of the Library Committee who claimed travel expenses of £61 (2015: £64) in expenses during the year.

During the year the School paid £6,000 (2015 - £2,964) to one (2015 – one) employee under a confidential settlement agreement.

The number of employees whose emoluments exceeded £60,000 was as follows:

	2016 No.	2015 No.
£ 60,001 to £70,000	-	-
£ 70,001 to £80,000	-	-
£ 80,001 to £90,000	2	2
£ 90,001 to £100,000	-	-
£100,001 to £110,000	-	-
£110,001 to £120,000	1	1

Contributions paid in the year for the provision of money purchase pension schemes for higher paid employees were £12,170 (2015 - £12,103). There is 1 (2015 – 1) higher paid employee to whom retirement benefits are accruing under money purchase schemes and 2 (2015 – 2) higher paid employees in defined benefit schemes

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**9. Analysis of total resources expended**

	<i>Staff costs</i>	<i>Other costs</i>	<i>Depreciation</i>	<i>Total 2016</i>	<i>Total 2015</i>
	£	£	£	£	£
<b><i>Cost of generating funds</i></b>					
Fundraising	95,541	43,410	-	138,951	115,785
Publicity	65,437	36,210	-	101,647	94,731
Conference and facility hire	37,115	91,076	-	128,191	131,732
Financing costs	-	175,746	-	175,746	181,343
Investment management costs	-	7,464	-	7,464	7,048
	<u>198,093</u>	<u>353,906</u>	<u>-</u>	<u>551,999</u>	<u>530,639</u>
<b><i>Charitable activities</i></b>					
Teaching costs - academic	1,628,472	190,261	-	1,818,733	1,747,019
Teaching costs - music	2,726,876	485,342	-	3,212,218	3,071,490
Welfare	474,850	778,202	-	1,253,052	1,218,427
Premises	833,818	1,521,364	778,160	3,133,342	2,999,833
Scholarships & bursaries	-	66,318	-	66,318	55,041
Grants, awards & prizes	-	8,626	-	8,626	10,075
Library costs	172,679	72,655	-	245,334	223,314
Support costs and governance	47,570	70,183	-	117,753	126,465
	<u>5,884,265</u>	<u>3,192,951</u>	<u>778,160</u>	<u>9,855,376</u>	<u>9,451,664</u>
<b><i>Total resources expended</i></b>	<u>6,082,358</u>	<u>3,546,857</u>	<u>778,160</u>	<u>10,407,375</u>	<u>9,982,303</u>

Conference and facility hire includes £95,442 (2015: £85,262) in relation to Chetham's Hall Limited.



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**9. Analysis of total resources expended (continued)**

Total resources expended includes £827,437 (2015 - £905,974) in respect of support costs detailed below, that have been allocated to the above expense headings.

	<i>Hospital</i>	<i>School</i>	<i>Library</i>	<i>Total 2016</i>	<i>Total 2015</i>
<b>Support Costs</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Management	-	109,465	161,391	270,856	268,106
Administration	-	224,398	20,636	245,034	234,273
Recruitment	-	67,472	-	67,472	42,901
Office costs	905	71,249	13,295	85,449	63,229
IT	-	46,284	-	46,284	71,930
Legal and professional	-	52,386	-	52,386	156,611
Insurance	-	59,956	-	59,956	68,924
	<b>905</b>	<b>631,210</b>	<b>195,322</b>	<b>827,437</b>	<b>905,974</b>

**10. Transfers between funds**

	<i>Unrestricted Funds</i>		<i>Restricted Funds</i>	<i>Endowment Funds</i>	<i>Total Funds</i>
	<i>General</i>	<i>Designated</i>			
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Hospital</b>					
Rent from School	627,000	-	-	-	627,000
Contribution to Chetham's Library	(85,585)	-	-	-	(85,585)
New School Development Fund	(267,716)	-	267,716	-	-
Capitalisation of Concert Hall costs	-	-	6,398,362	-	6,398,362
Concert Hall Fund	-	-	(6,398,362)	-	(6,398,362)
Nicholls Building Conversion Fund	-	-	100,000	-	100,000
Transfer of donation for Palatine Demolition Fund	-	750,000	(750,000)	-	-
Contribution from School for Concert Hall Bar/Kitchen	-	-	200,000	-	200,000
	<b>273,699</b>	<b>750,000</b>	<b>(182,284)</b>	<b>-</b>	<b>841,415</b>
<b>School</b>					
Rent paid to Hospital	(627,000)	-	-	-	(627,000)
Contribution to Nicholls Building Conversion Fund	(100,000)	-	-	-	(100,000)
Transfer from Refurbishment Fund	30,000	(30,000)	-	-	-
Transfer from Budget Underwrite Fund	18,000	(18,000)	-	-	-
Capitalisation of Instruments	-	5,840	-	-	5,840
Instrument Fund	-	(5,840)	-	-	(5,840)
Contribution to Concert Hall Bar/Kitchen	(200,000)	-	-	-	(200,000)
	<b>(879,000)</b>	<b>(48,000)</b>	<b>-</b>	<b>-</b>	<b>(927,000)</b>
<b>Library</b>					
Contribution from Hospital	85,585	-	-	-	85,585
Transfer from Library Patrons Fund	2,479	-	(2,479)	-	-
	<b>88,064</b>	<b>-</b>	<b>(2,479)</b>	<b>-</b>	<b>85,585</b>
<b>TOTAL</b>	<b>(517,237)</b>	<b>702,000</b>	<b>(184,763)</b>	<b>-</b>	<b>-</b>

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**11. Tangible fixed assets**

	<i>Heritage Assets</i>	<i>Freehold Property</i>	<i>Furniture, Fittings, Plant &amp; Equipment</i>	<i>Instruments</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 1 September 2015	30,000	37,040,214	108,216	68,159	37,246,589
Additions	-	6,479,659	34,332	18,840	6,532,831
Disposals	-	(297,629)	-	-	(297,629)
At 31 August 2016	30,000	43,222,244	142,548	86,999	43,481,791
Depreciation:					
At 1 September 2015	-	5,391,684	78,356	62,959	5,532,999
Charge for the year	-	751,316	21,644	5,200	778,160
On disposals	-	(297,629)	-	-	(297,629)
At 31 August 2016	-	5,845,371	100,000	68,159	6,013,530
Net book value:					
At 31 August 2016	30,000	37,376,873	42,548	18,840	37,468,261
At 1 September 2015	30,000	31,648,530	29,860	5,200	31,713,590

The cost of tangible fixed assets includes the cost of land at Walkers Croft, which was purchased in March 2008 with the support of a grant from the North West Development Agency (NWDA). This piece of land is secured by legal charges in favour of Nat West as security for the 2011 bank loan and secondly the NWDA pursuant to a Funding Agreement entered into at that time. During the year the Palatine Building was demolished and its cost and associated depreciation are shown above as disposals.

Information on Heritage Assets is given in Note 1 to the accounts.

There have been two significant acquisitions but no disposals of heritage assets for which valuations are available during the last five years.

Five year financial summary of Heritage Asset transactions:

	2016 £	2015 £	2014 £	2013 £	2012 £
Additions:					
Donations	-	-	15,000	15,000	-
Total	-	-	15,000	15,000	-

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**12. Investments**

	<i>Restricted Funds £</i>	<i>Unrestricted Funds £</i>	<i>Endowment Funds £</i>	<i>Total £</i>
Balance at 1 September 2015	865,875	39,243	3,048,210	3,953,328
Additions	8,096	-	30,068	38,164
Disposals	(10,703)	-	(38,255)	(48,958)
Revaluation gains	43,868	1,147	115,680	160,695
Change in amounts awaiting investment	1,348	-	5,309	6,657
Balance at 31 August 2016	<u>908,484</u>	<u>40,390</u>	<u>3,161,012</u>	<u>4,109,886</u>
Historical cost of listed investments	<u>813,416</u>	<u>42,483</u>	<u>2,861,364</u>	<u>3,717,263</u>
Listed on UK stock exchange	904,178	40,325	3,145,958	4,090,461
Cash awaiting investment	<u>4,306</u>	<u>65</u>	<u>15,054</u>	<u>19,425</u>
	<u>908,484</u>	<u>40,390</u>	<u>3,161,012</u>	<u>4,109,886</u>

All investments are held to provide an investment return.

The following investments have a market value at 31 August 2016 exceeding 5% of the value of the portfolio and are therefore considered to be material:

	<i>Units/ Nominal Value</i>	<i>Market value £</i>
Castlefield Premier Conbrio BEST Fund	3,065,594	2,516,239
Mayfair Capital in Property Income Trust for Charities	466,604	388,728
COIF Accumulation Units	2,550	336,047

**13. Debtors (excluding fees)**

	<i>2016 £</i>	<i>2015 £</i>
Other debtors	69,030	151,886
Prepayments	162,643	38,180
Accrued income	<u>167,153</u>	<u>83,417</u>
	<u>398,826</u>	<u>273,483</u>

Bad debts totalling £606 were written off during the year (2015: £nil) with a further £1,799 increase in provision (2015: decrease of £14,995).

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14. **Creditors:** amounts falling due within one year

	2016	2015
	£	£
Bank loans (note 15)	104,614	98,183
Other creditors and accruals	1,653,702	1,300,492
Fees received in advance from DfE	<u>1,900,000</u>	<u>1,900,000</u>
	<u><b>3,658,316</b></u>	<u><b>3,298,675</b></u>

15. **Creditors:** amounts falling due after more than one year

	2016	2015
	£	£
Bank loans	2,433,710	2,540,223
Other creditors and accruals	<u>-</u>	<u>17,485</u>
	<u><b>2,433,710</b></u>	<u><b>2,557,708</b></u>

The total bank loans outstanding at 31 August 2016 amounted to £2,538,324 (2015 - £2,638,406). Of this amount £104,614 (2015 - £98,183) is repayable within one year and is therefore included in current liabilities.

A bank loan of £3,000,000 was taken out in May 2011 for a 20 year period to help to finance the New School Building. The loan interest is fixed at 6.4% for the life of the loan.

The loan is secured by first legal mortgages over the freehold land on the north side of Long Millgate, Manchester and over the freehold property of the Hospital and Library, together with the land on Walkers Croft where the New School Building is situated.

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**16. Allocation of the charity's net assets**

The net assets are held for the various funds as follows:

	<i>Fixed Assets</i>	<i>Investments</i>	<i>Net current assets/ (liabilities)</i>	<i>Long term liabilities</i>	<i>Total</i>
	£	£	£	£	£
<b>Hospital</b>					
Unrestricted	2,278,185	1,958	169,231	-	2,449,374
Restricted	35,106,904	379,167	(1,011,605)	(2,433,710)	32,040,756
Endowment	-	482,802	(1,250)	-	481,552
	<u>37,385,089</u>	<u>863,927</u>	<u>(843,624)</u>	<u>(2,433,710)</u>	<u>34,971,682</u>
<b>School</b>					
Unrestricted	47,332	38,432	4,157,201	-	4,242,965
Restricted	5,840	500,921	2,202,725	-	2,709,486
	<u>53,172</u>	<u>539,353</u>	<u>6,359,926</u>	<u>-</u>	<u>6,952,451</u>
<b>Library</b>					
Unrestricted	30,000	-	189,557	-	219,557
Restricted	-	28,396	16,523	-	44,919
Endowment	-	2,678,210	(193,140)	-	2,485,070
	<u>30,000</u>	<u>2,706,606</u>	<u>12,940</u>	<u>-</u>	<u>2,749,546</u>
<b>Total</b>					
Unrestricted	2,355,517	40,390	4,515,989	-	6,911,896
Restricted	35,112,744	908,484	1,207,643	(2,433,710)	34,795,161
Endowment	-	3,161,012	(194,390)	-	2,966,622
	<u>37,468,261</u>	<u>4,109,886</u>	<u>5,529,242</u>	<u>(2,433,710)</u>	<u>44,673,679</u>

**17. Endowment funds**

	<i>Balance at 1 September 2015</i>	<i>Incoming Resources</i>	<i>Resources expended</i>	<i>Investment gains/(losses)</i>	<i>Transfers between funds</i>	<i>Balance at 31 August 2016</i>
	£	£	£	£	£	£
<b>Hospital</b>						
Investment Replacement	293,242	-	-	40,841	-	334,083
Sinking Funds						
EF Jacob Endowment Fund	143,642	-	-	3,827	-	147,469
	<u>436,884</u>	<u>-</u>	<u>-</u>	<u>44,668</u>	<u>-</u>	<u>481,552</u>
<b>Library</b>						
Grants from Heritage Lottery Fund	2,413,977	-	-	71,093	-	2,485,070
<b>Total</b>	<u>2,850,861</u>	<u>-</u>	<u>-</u>	<u>115,761</u>	<u>-</u>	<u>2,966,622</u>

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**Hospital**

***Investment Replacement Sinking Funds***

Under Schemes approved by the Charity Commissioners, Hospital investments worth £183,340 were sold between 1981 and 1992 in order to provide finance for major capital purposes, subject to the restoration of the original sums by means of annual investments through Sinking Funds. This was achieved during the year to 31<sup>st</sup> August 2014 and the Schemes have been discharged.

***E F Jacob Endowment Fund***

A fund for the general benefit of the Hospital. Any income generated is credited to unrestricted reserves.

**Library**

***Endowment Fund***

The Heritage Lottery Fund grants were given in order to provide substantially improved investment income and thereby to enable improved facilities in the Library. Accordingly, investment income and realised gains, together with expenditure therefrom, are included as part of General Fund movements in the Statement of Financial Activities.

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**18. Restricted funds**

	<i>Balance at 1 September 2015</i>	<i>Incoming resources</i>	<i>Resources expended</i>	<i>Transfers between funds</i>	<i>Investments gains/(losses)</i>	<i>Balance at 31 August 2016</i>
	£	£	£	£	£	£
<b>Hospital</b>						
Capital Fund - Millgate Extension	1,173,528	-	(39,668)	-	-	1,133,860
Capital Fund - New Land	4,500,000	-	-	-	-	4,500,000
Capital Fund - New School Building	21,626,964	-	(584,513)	-	-	21,042,451
Capital Fund – Nicholls Conversion	638,136	-	(20,760)	81,297	-	698,673
Capital Fund – Concert Hall	1,333,559	-	-	6,398,362	-	7,731,921
Improvements Fund	14,932	1,761	-	-	44	16,737
New School Development Fund	(3,002,250)	813,894	(188,370)	(482,284)	-	(2,859,010)
Nicholls Building Conversion Fund	(354,196)	-	8,796	18,703	-	(326,697)
Concert Hall Fund	947,399	5,161,499	(71,835)	(6,398,362)	-	(361,299)
Bar/Kitchen Fund	-	-	(178)	200,000	-	199,822
Instrument Fund	157,623	6,430	(1,000)	-	4,308	167,361
Nicholls Fund	143,756	5,563	(59,071)	-	6,108	96,356
Medieval Manchester Fund	6	-	-	-	-	6
Miscellaneous Restricted Fund	285	290	-	-	-	575
	<b>27,179,742</b>	<b>5,989,437</b>	<b>(956,599)</b>	<b>(182,284)</b>	<b>10,460</b>	<b>32,040,756</b>
<b>School</b>						
Vernon Farley Fund	14,133	175	(100)	-	4	14,212
Hazel Smith Fund	12,540	138	-	-	3	12,681
Ida Carroll Fund	231	8,000	(2,000)	-	-	6,231
Hospital Prize Fund	81,223	213	(300)	-	383	81,519
Mozart Scholarship Fund	61	-	(61)	-	-	-
Kolbert Music Prize Fund	2,451	52	(50)	-	1	2,454
Academic Prizes Fund	280	20	-	-	-	300
Music Prizes Fund	192	601	(575)	-	-	218
Competition Fund	232	-	-	-	-	232
David Hartigan Memorial Piano Fund	8,168	78	(1,258)	-	45	7,033
Neil Vint Bursary Fund	31,514	1,294	(1,000)	-	22	31,830
Milne Fund	118,470	-	-	-	22,438	140,908
Bursary Fund	1,467,493	44,890	(66,318)	-	9,629	1,455,694
Hospitallers Camp Fund	19,640	320	(1,375)	-	8	18,593
Mainprice Scholarship Fund	116,747	2,121	-	-	50	118,918
Mellor Endowment Fund	4,666	-	-	-	239	4,905
Amy Watson Endowment Fund	22,988	-	-	-	486	23,474
John Shaw Bursary Fund	50,000	-	-	-	-	50,000
Co-op Fund	1,665	-	-	-	-	1,665
Miscellaneous Restricted Fund	12,282	140,881	(2,615)	-	-	150,548
Instrument Fund	70,747	-	-	(5,840)	-	64,907
Friends of Chetham's Fund	12,491	8,005	(661)	-	-	19,835
Chets in London Fund	6,250	-	-	-	-	6,250
Capital Fund - Instruments	-	-	-	5,840	-	5,840
Piano Summer School Fund	156,042	289,737	(220,864)	-	-	224,915
Grants and Other Income Fund	272,477	69,107	(75,260)	-	-	266,324
	<b>2,482,983</b>	<b>565,632</b>	<b>(372,437)</b>	<b>-</b>	<b>33,308</b>	<b>2,709,486</b>
<b>Library</b>						
Burney Fund	21,909	1,230	(12,942)	-	564	10,761
J Paul Getty Fund	25,000	-	(8,086)	-	-	16,914
Esme Fairbairn Fund	17,104	-	(17,104)	-	-	-
Miscellaneous Restricted Fund	294	-	-	-	-	294
Library Patrons Fund	-	2,479	-	(2,479)	-	-
Aurelius Trust Fund	-	2,700	-	-	-	2,700
Karl Marx Fund	-	5,000	-	-	-	5,000
Hulme Trust Fund	-	7,662	(7,662)	-	-	-
Arts Council Fund	-	9,250	-	-	-	9,250
	<b>64,307</b>	<b>28,321</b>	<b>(45,794)</b>	<b>(2,479)</b>	<b>564</b>	<b>44,919</b>
<b>Total</b>	<b>29,727,032</b>	<b>6,583,390</b>	<b>(1,374,830)</b>	<b>(184,763)</b>	<b>44,332</b>	<b>34,795,161</b>

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**18. Restricted funds (continued)**

**Hospital**

***Building Funds***

*Capital Fund - Millgate Extension*

A fund which represents the depreciated capital cost of the Millgate Extension.

*Capital Fund – New Land*

A fund which represents the capital value of the new land purchased in 2008 (note 11).

*Capital Fund – New School Building*

A fund which represents the depreciated capital value of the New School Building.

*Capital Fund – Nicholls Conversion*

A fund which represents the depreciated capital value of the Nicholls conversion.

*Capital Fund – Concert Hall*

A fund which represents the depreciated capital value of the Concert Hall.

*Improvements Fund*

A fund established from the proceeds of donations from a major anonymous Trust, for use at the discretion of the Feoffees for major improvements.

*New School Development Fund*

An appeal fund for use in furthering the New School Development Project. This fund is in deficit at 31 August 2016 as expenditure has been incurred in advance of expected income being received.

*Nicholls Building Conversion Fund*

A fund established for the redevelopment of the Nicholls Building into residential accommodation for the Victoria House students. This fund is in deficit at 31 August 2016 as expenditure has been incurred in advance of expected income being received.

*Concert Hall Fund*

A fund established for the construction of the School's New Concert Hall. This fund is in deficit at 31 August 2016 as expenditure has been incurred in advance of expected income being received.

*Bar/Kitchen Fund*

A fund established for the construction of the bar and kitchen in the New School Building.

***Other Funds***

*Instrument Fund*

A fund established to give financial assistance to parents of students at the School wishing to purchase new instruments.

*Nicholls Fund*

A fund that can be used either to give hardship awards to parents in financial difficulties, or towards the maintenance of the Foundation's buildings.

*Medieval Manchester Fund*

A fund established for the development of the Medieval Manchester Visitor Attraction Project.

*Miscellaneous Restricted Fund*

This fund comprises various miscellaneous and small funds, to be used for a variety of charitable purposes.



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**18. Restricted funds (continued)**

**School**

*Vernon Farley Fund*

A fund established in order to make annual prizes for piano-playing and sight-reading.

*Hazel Smith Fund*

A prize awarded annually to a Lower School student who plays piano, woodwind or a string instrument and whose family is in financial need.

*Ida Carroll Fund*

Prizes awarded annually to double bass players.

*Hospital Prize Fund, Mozart Scholarship Fund, Kolbert Music Prize Fund, Academic Prizes Fund, Music Prizes Fund and Competition Fund*

Prizes awarded to students each Speech Day under the terms of a variety of trust funds established by various donors. The Mozart Scholarship Fund is now fully expended.

*David Hartigan Memorial Piano Fund*

A fund established in order to make annual awards to deserving piano students of Chetham's School.

*Neil Vint Bursary Fund*

A bursary awarded annually to former students of Chetham's School aged between 18 and 25, to help develop their careers.

*Milne Fund*

This fund was established to help students in financial difficulty and to support the development of the School's facilities.

*Bursary Fund*

This fund was established to help students who are in need of financial assistance.

*Hospitallers "Camp" Fund*

A fund established in order to assist extra-mural activities.

*Mainprice Scholarship Fund*

This fund can be used either to give hardship awards to parents in financial difficulty, or towards the maintenance or improvement of the Foundation's buildings.

*Mellor Endowment and Amy Watson Endowment Funds*

These funds are to provide benefits for the School.

*John Shaw Bursary Fund*

A fund to provide bursary support to students from Lancashire or Yorkshire.

*Co-op Fund*

A fund established to help the School.

*Miscellaneous Restricted Fund*

This fund comprises miscellaneous small restricted funds for a variety of uses.

*Instrument Fund*

A fund established from a bequest to purchase instruments for the School.

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**18. Restricted funds (continued)**

*Friends of Chetham's Fund*

A fund to support the advancement of education of students at Chetham's by funding projects and facilities as the School requires.

*Chets in London Fund*

A fund to support the School.

*Capital Fund – Instruments*

A fund representing the depreciated capital value of instruments purchased using the Instrument Fund.

*Piano Summer School Fund*

A fund established from the surplus generated by the running of the annual Piano Summer School. The fund is to enable the Piano department to facilitate further Summer Schools, to support piano students and to purchase instruments.

*Grants and Other Income Fund*

This fund shows grants and other restricted income received for specific charitable purposes such as outreach events and conferences, and specific support for individual students.

**Library**

*Burney Fund*

A fund for the purchase, rebinding or repair of books.

*J Paul Getty Fund*

This is a fund for the conservation of Library material.

*Esmee Fairbairn Fund*

This fund was established in 2014 for the Belle Vue Project work. This fund is now fully expended.

*Miscellaneous Restricted Fund*

This is a fund established for miscellaneous restricted donations.

*Library Patrons Fund*

This fund is for donations made by Library Patrons and the income is transferred each year to the unrestricted General Fund.

*Aurelius Trust Fund*

This is a fund for the conservation of the Library's Hogarth prints.

*Karl Marx Fund*

This is a fund established with a grant from Manchester City Council for the creation of facsimiles of the Library's Karl Marx books.

*Hulme Trust Fund*

This is the fund for the costs of archiving the Hulme Trust Estates documentation.

*Arts Council Fund*

This is a fund to pay for digitizing Library archives.

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**19. Unrestricted funds**

	<i>Balance at 1 September 2015 £</i>	<i>Incoming resources £</i>	<i>Resources expended £</i>	<i>Transfers between funds £</i>	<i>Investment gains/ (losses) £</i>	<i>Balance at 31 August 2016 £</i>
<b>Hospital</b>						
General Fund	2,637,979	114,891	(422,747)	273,699	239	2,604,061
Designated funds:						
Palatine Demolition Fund	(272,352)	-	(632,335)	750,000	-	(154,687)
HLF Application Fund	4,014	-	(4,014)	-	-	-
	<u>2,369,641</u>	<u>114,891</u>	<u>(1,059,096)</u>	<u>1,023,699</u>	<u>239</u>	<u>2,449,374</u>
<b>School</b>						
General Fund	3,981,248	8,863,607	(7,757,591)	(879,000)	908	4,209,172
Designated funds:						
Tours Fund	4,847	-	(4,662)	-	-	185
Refurbishments Fund	30,000	-	-	(30,000)	-	-
New School Move Fund	37,411	-	(3,935)	-	-	33,476
Budget Underwrite Fund	18,000	-	-	(18,000)	-	-
Noise at Work Fund	1,252	-	(1,120)	-	-	132
	<u>4,072,758</u>	<u>8,863,607</u>	<u>(7,767,308)</u>	<u>(927,000)</u>	<u>908</u>	<u>4,242,965</u>
<b>Library</b>						
General Fund	219,533	114,893	(204,833)	88,064	1,878	219,535
Designated funds:						
Leech Collection Exhibition Fund	1,330	-	(1,308)	-	-	22
	<u>220,863</u>	<u>114,893</u>	<u>(206,141)</u>	<u>88,064</u>	<u>1,878</u>	<u>219,557</u>
	<u>6,663,262</u>	<u>9,093,391</u>	<u>(9,032,545)</u>	<u>184,763</u>	<u>3,025</u>	<u>6,911,896</u>

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**19. Unrestricted funds (continued)**

**Hospital**

*Palatine Demolition Fund*

A fund established for the costs of demolishing the Palatine Building.

*HLF Application Fund*

A fund established for the costs of submitting an HLF application and is now fully expended.

**School**

*Tours Fund*

A fund established to meet the cost of tours by the Music Department.

*Refurbishments Fund*

A fund established for refurbishing the School Library and other facilities. The School Library was fully refurbished during the year to 31 August 2013. This fund has now closed and its balance transferred to the General Fund.

*New School Move Fund*

A fund established to provide general resources for the move to the New School.

*Budget Underwrite Fund*

A fund established to underwrite the costs of running the School in the year to August 2015. This fund has now closed and its balance transferred to the General Fund.

*Noise at Work Fund*

A fund established to provide resources for implementing the Noise at Work procedures.

**Library**

*Leech Collection Exhibition Fund*

A fund established to provide resources for the Leech Collection Exhibition.

**20. Pensions arrangements**

The School participates in the Teachers' Pension Scheme ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £485,144 (2015: £412,437).

The TPS is an unfunded multi-employer defined benefits pension scheme governed by the Teachers' Pension Scheme Regulations 2014. Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

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The employer contribution rate is set following scheme valuations undertaken by the Government Actuary's Department. The latest actuarial valuation of the TPS was prepared as at 31 March 2012 and the valuation report, which was published in June 2014, confirmed an employer contribution rate for the TPS of 16.4% from 1 September 2015. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 16.48%.

This employer rate will be payable until the outcome of the next actuarial valuation, which is due to be prepared as at 31 March 2016, with any resulting changes to the employer rate expected to take effect from 1 April 2019. This valuation will also determine the opening balance of the cost cap fund and provide an analysis of the cost cap as required by the Public Service Pensions Act 2013.

In addition, a small number of employees of the School and Library are members of the Greater Manchester Pension Fund ("GMPF"). The GMPF is a multi-employer final salary defined benefit scheme and the assets of Chetham's School and Library are pooled with similar institutions for actuarial valuation purposes. Accordingly, under FRS 102 the Scheme is accounted for as a defined contribution scheme.

The pension cost is assessed every three years in accordance with the advice of an independent qualified actuary. The latest actuarial valuation of the Scheme was at 31 March 2013 when the market value of the assets of the Scheme was £12,590 million, being 90.5% of members' accrued benefits. The assumed funding basis discount rate was 4.8% and the rate of increase in salaries was 3.55%. Price inflation was assumed to be 2.5%.

The pension contributions made by Chetham's School of Music and Chetham's Library to the Scheme for the year ended 31 August 2016 were £18,157 (2015 - £18,315). The employee contribution rate varied between 5.5% and 12.5%, depending upon actual pay levels. The employer contribution rate was 19.9% to 31 March 2016 and then 21.6%

In addition to the above, the contributions made by Chetham's Hospital, School and Library to a money purchase scheme amounted to £85,126 (2015 - £87,624).

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**21. Operating lease commitments**

The School has minimum lease payments under non-cancellable operating leases as follows:

	<i>Equipment</i>	
	2016	2015
	£	£
Within one year	39,841	60,074
Between two and five years	78,432	98,665
After five years	<u>24,510</u>	<u>44,118</u>
	<u>142,783</u>	<u>202,857</u>

**22. Capital commitments**

	2016	2015
	£	£
Contracted for, but not provided in the financial statements	<u>484,116</u>	<u>7,586,674</u>

**23. Financial Instruments**

	2016	2015
	£000	£000
Financial assets measured at amortised cost (a)	9,025	9,392
Financial assets measured at fair value (b)	4,110	3,953
Financial liabilities measured at amortised cost (c)	(5,941)	(5,759)
	<u>      </u>	<u>      </u>
Net financial assets measured at amortised cost	7,194	7,586
	<u>      </u>	<u>      </u>

(a) Financial assets include cash, trade and fee debtors, staff loans, other debtors accrued income and amounts due from subsidiaries

(b) Financial assets held at fair value include assets held as investments

(c) Financial liabilities include deposits, fees in advance, trade creditors, and other creditors

Impairment losses charged to financial assets measured at amortised cost in the year amounted to £nil (2015: £nil).

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**24. Statement of financial activities – comparative figures by fund**

	<i>Hospital Funds</i>	<i>School Funds</i>	<i>Library Funds</i>	<i>Total 2015</i>
	£	£	£	£
<b>Income from:</b>				
<b>Charitable activities:</b>				
School fees	-	8,405,468	-	8,405,468
Ancillary trading	1,187	327,509	6,304	335,000
<b>Other trading activities:</b>				
Activities for generating funds	91,217	90,375	4,433	186,025
Investment income	18,294	29,954	91,605	139,853
Bequests and donations	1,894,437	270,967	37,363	2,202,767
Grants received	-	4,210	-	4,210
<b>Total incoming resources</b>	<b>2,005,135</b>	<b>9,128,483</b>	<b>139,705</b>	<b>11,273,323</b>
<b>Expenditure on:</b>				
<b>Raising funds:</b>				
Fundraising	59,536	55,763	486	115,785
Publicity	-	94,731	-	94,731
Conference and facility hire costs	85,262	46,087	383	131,732
Financing costs	177,377	3,966	-	181,343
Investment management costs	1,362	1,128	4,558	7,048
	<b>323,537</b>	<b>201,675</b>	<b>5,427</b>	<b>530,639</b>
<b>Charitable activities:</b>				
Teaching costs – academic	-	1,747,019	-	1,747,019
Teaching costs – music	-	3,071,490	-	3,071,490
Welfare	-	1,218,427	-	1,218,427
Premises	1,399,801	1,600,032	-	2,999,833
Scholarships and bursaries	-	55,041	-	55,041
Grants, awards and prizes	2,300	7,775	-	10,075
Library running costs	-	-	223,314	223,314
Support and governance costs	17,199	107,741	1,525	126,465
	<b>1,419,300</b>	<b>7,807,525</b>	<b>224,839</b>	<b>9,451,664</b>
<b>Total resources expended</b>	<b>1,742,837</b>	<b>8,009,200</b>	<b>230,266</b>	<b>9,982,303</b>
<b>Net incoming/(outgoing) resources before transfers</b>	<b>262,298</b>	<b>1,119,283</b>	<b>(90,561)</b>	<b>1,291,020</b>
Transfer between funds	639,384	(727,000)	87,616	-
Gains/(losses) on investment assets:				
Realised	(499)	(450)	(405)	(1,354)
Unrealised	30,008	17,369	74,239	121,616
<b>Net movement in funds</b>	<b>931,191</b>	<b>409,202</b>	<b>70,889</b>	<b>1,411,282</b>
Fund balances at 1 September 2014	29,055,076	6,146,539	2,628,258	37,829,873
<b>Fund balances at 31 August 2015</b>	<b>29,986,267</b>	<b>6,555,741</b>	<b>2,699,147</b>	<b>39,241,155</b>