

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 2017

CHARITY COMMISSION
FIRST CONTACT

14 JUN 2018

ACCOUNTS
RECEIVED

CHARITY COMMISSION
FIRST CONTACT

14 JUN 2018

RECEIVED

**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY
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ANNUAL REPORT OF THE FEOFFEES
For the year ended 31 August 2017**

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The Feoffees and School Governing Body present their annual report for the year ended 31 August 2017 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)
Professor H. Barker	(Appointed October 2016)
Dame A. Burslem	
Dr. S. Butler	
The Rt. Hon. The Earl of Derby	
J. Early, Esq	(Resigned November 2017)
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.	

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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. Resigned August 2017)
M. Edge, Esq.	(Treasurer and Chair from September 2017)
Ms. S. Barnes	(Appointed January 2018)
Canon P. Barratt	(Nominated by the Dean and Chapter of Manchester Cathedral. Resigned June 2017)
Mrs. C. Baxendale	
Dr. B. Brennan	(Appointed by the School Governing Body)
Ms. A. Corcoran	(Nominated by Manchester City Council)
Councillor J. Davies	(Nominated by Manchester City Council. Appointed October 2016)
K. Jaquiss, Esq.	
Prof. L. Merrick	(Appointed June 2017)
Mrs. P. Newman	
J. Wainwright, Esq.	(Resigned May 2018)
S. Webb, Esq.	

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. Resigned September 2017)
Professor H. Barker	
N. Barker, Esq.	
Professor J. Bergin	
Dr. A. Biswell	
J. Early, Esq.	(Appointed January 2017 and resigned November 2017)
Professor P. Fouracre	(Resigned June 2017)
P. Ramsbottom, Esq.	
Professor M. Schmidt	

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Officers

The Head	A. Jones, Esq.
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
9th 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
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Insurance brokers

Bluefin Insurance Services Limited
Kabel House
15 Quay Street
Manchester
M3 3HN

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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.

Chetham's Trading Limited is a subsidiary undertaking that is a wholly owned subsidiary of the School.

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 recommendations 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. This Committee was incorporated in the Resources Committee with effect from January 2018.

New Governing Body 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. 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 General Manager of the Stoller Hall on its operation and the School's Designated Safeguarding Lead attended the September 2016 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 consists 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 (incorporated into the Resources Committee from January 2018).

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 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.

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At Chetham's we believe that everyone should have the opportunity to actively engage with music learning in a meaningful way. The Outreach Department harnesses Chetham's resources to create and support those opportunities, often in partnership with other organisations such as music education hubs, professional orchestras, arts charities and others. At Chetham's we participate in strategic regional, national and international conversations about music education and seek to play our role in helping young people and the wider community to access music learning.

Some of the key aims towards which the Outreach Department works are:

- To facilitate maximum impact and benefit from Chetham's resources for the wider community as well as our own students
- To engage as many people as possible with music and the arts, particularly classical music
- To understand and play our role in the music education landscape nationally and beyond
- To establish a sustainable programme of activity with a reputation for quality and educational value

There are some key principles which underpin our Outreach work and which interlink with one another:

- Musical learning has many strands and threads which may contribute to an individual's learning journey. Chetham's has a role to play and we understand this better by understanding ourselves and our particular specialisms and expertise and those of our regional colleagues.
- We seek to understand where projects are needed and best targeted through constructive engagement with music education hubs, other arts organisations and educational partners.
- Projects and activities should, where possible, involve Chetham's students in order to develop their skills and contribute to the breadth of their music education in school.

During the year the Outreach Department delivered 17 projects which included approximately 40 interactive performances, workshops or learning events.

We worked with 4 music education hubs and 12 music services.

Our projects engaged approximately 40 schools.

We impacted over 3,000 people, the vast majority of those being aged 0 – 24, and around three quarters of those impacted were from the Greater Manchester area.

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.

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- 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. £162,612 (2016: £170,280) was provided in bursary support this 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. Fundraising has been prioritised to help to ensure the Library's activities are sustainable and a number of interesting and useful projects have been funded.

Strategies to achieve the year's objectives

The strategies used to achieve the Hospital's objectives this year include: completing and opening the Stoller Hall, the concert hall in the heart of the New School Building; completing the demolition of the Palatine Building; further developing the plans for the Medieval Manchester Visitor Attraction; continuing to raise the necessary financial support for the Development Project. The securing of the financial viability of Chetham's Library is also being reviewed in conjunction with the Library Committee.

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 Stoller Hall which opened 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 by the submission of numerous funding applications to a variety of trusts and foundations, 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.

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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 Millgate Building, 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 Stoller 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 £97 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 £1,500 (2016 - £ 1,000). A grant of £81,900 (2016 - £85,585) was made to Chetham's Library during the year.

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 £90,546 (2016 - £103,962) from Unrestricted Funds and £72,066 (2016 - £66,318) 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 nearly £42 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.

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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 took place in April 2017.

Also this year making good of the footprint area of the demolished Palatine Building took place. 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 enhancing the 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

The School was delighted to welcome Alun Jones as its new Head from September 2016. Claire Moreland retired at the end of the previous Summer Term, having been Head since September 1999.

At the start of the year there were 301 students on roll, compared to 295 the previous year. This number includes 8 Choristers, as the School acts as the Choir School for Manchester Cathedral. There were 160 girls and 141 boys, with 149 students in the 6th Form, 133 in Years 7 to 11 and 19 Juniors. Most (69%) 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 2016 there were 148 applications and 105 auditions with 75 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.

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 £8,131 (2016 - £6,307), providing support to a total of 20 (2016 - 27) 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 busy and successful this year, as ever. The increasing popularity of the Lunchtime Concerts led to the extension of public access to performances on all week days during term time in the Carole Nash Hall. The School hosted a number of leading international artists including many past Chetham's students, to present the third year of stunning Haworth Masterclasses. The School performed twice in the prestigious Manchester Mid-day Concerts Series at the Bridgewater Hall. In October the School welcomed the distinguished actress Vanessa Redgrave, in a performance of Laura Rossi's Voices of Remembrance. To mark the centenary of the Russian Revolution in 1917, the School carried out a significant and collaborative cycle of performances of all fifteen string quartets by Dmitri Shostakovich, to culminate in a month-long arts project, Russian October, in the Autumn Term 2017. To round off the School year, Paul McCreesh joined with the CSO for a performance of Haydn's Creation in the newly opened Stoller Hall.

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 73% of the candidates receiving A* to B grades. Results at GCSE level were also pleasing with 95% at A to C grades. 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.

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Destinations of the Upper 6th Form leavers continue to be varied. 50 (72%) 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 Northern College of Music. Other (non-Music) destinations included Imperial College London, Durham and Sheffield for subjects such as Molecular Bioengineering, Law and Medicine.

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, which had its Royal Opening in April 2017.

The School underwent an ISI Compliance Inspection in March 2017 and was judged to be fully compliant in all regulatory areas. In May 2017, as a close neighbour to the Manchester Arena, the School was temporarily closed following the terrorist bombing. No Chetham's students or staff were hurt in the bombing but the School provided emotional support to all those affected. In June 2017 the School was notified that it would be called to give evidence at the Independent Inquiry in Child Sexual Abuse; the School's solicitors are providing assistance in this matter.

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 project work. Work on the Hulme Trust archives continued, a project on the History of Salford started, funded by the Booth Charities and the Arts Council provided continued funding for the digitisation of the Library's archives.

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, but unfortunately was not successful. The application was for significant funding to safeguard the Library and medieval buildings and provide unprecedented access to Chetham's heritage. The aim remains 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 and alternative funding is being sought.

Fundraising for the Library's work continues. The Patrons of Chetham's Library scheme was launched in 2013 and raised £3,408 this year (2016: £2,479).

Fundraising performance against objectives

During the year £2,436,600 (2016: £6,294,030) 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.

Chetham's is registered with the Fundraising Regulator and is committed to delivering the Fundraising Promise, as outlined on the Fundraising Regulator's website, and the high standards set for fundraising, as outlined in the Regulator's Code of Fundraising.

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.

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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 £339,260 (7.9%) achieved for the year on the Foundation's investment assets was higher than the £315,877 (7.2%) for the previous year.

Investment income in the Hospital fell during the year to £18,735 (2016 - £19,205) and realised gains were £458 (2016 – gains of £303).

Investment income in the School decreased during the year to £23,821 (2016 - £34,660) and realised investment gains were £491 (2016 – gains of £242).

Investment income in the Library decreased during the year to £96,702 (2016 - £98,894) and realised investment gains were £2,074 (2016 – gains of £1,878).

Financial Review

The Foundation recorded an overall surplus on unrestricted funds of £104,966 (2016 – £248,634) and its total Unrestricted Funds now stand at £7,016,862 (2016 - £6,911,896).

The Hospital recorded a deficit on unrestricted funds for the year of £196,212 (2016 – surplus of £79,733) and its total Unrestricted Funds now stand at £2,253,162 (2016 - £2,449,374). This includes a deficit of £372,307 (2016 – £154,687) in Designated Funds.

The School recorded a surplus on unrestricted funds for the year of £220,558 (2016 – surplus of £170,207) and its total Unrestricted Funds now stand at £4,463,523 (2016 - £4,242,965). This includes £14,933 (2016 - £33,793) which is designated for a variety of specific purposes.

The Library recorded a surplus on unrestricted funds for the year of £80,620 (2016 – surplus of £1,306) and its total Unrestricted Funds now stand at £300,177 (2016 - £219,557). This includes a deficit of £4,370 (2016 - £22) in Designated funds.

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 and again was eliminated during this year. 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.

**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY
HUMPHREY CHETHAM ESQ AND INCORPORATED BY KING CHARLES II
ANNUAL REPORT OF THE FEOFFEEES
For the year ended 31 August 2017**

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 2017 were £7,016,862 (2016 - £6,911,896) of which £(361,744) (2016 - £(120,872)) 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 2017 the surplus on free reserves increased to £4,651,878 (2016 - £4,556,379).

Restricted reserves of the Foundation were £36,229,856 (2016: £34,795,161).

Hospital

Free reserves of the Hospital are £85,144 (2016 – £171,189).

Restricted reserves are £31,954,881 (2016: £32,040,756). 3 (2016: 3) capital project funds are in deficit at the year end by £3,141,083 (2016: £3,547,006) as expenditure has been incurred in advance of income being received for the projects.

School

Free reserves of the School are £4,381,557 (2016 - £4,195,633). At present, the level of reserves is equivalent to around twenty six weeks' expenditure.

Restricted reserves are £4,144,321 (2016: £2,709,486) and are held for a variety of purposes.

Library

Free reserves of the Library are £185,177 (2016 - £189,557). This is around eleven months 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 £130,654 (2016: £44,919) and are held for a variety of purposes.

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 most pressing aim of the Feoffees and School Governing Body is to upgrade the boarding accommodation in the Millgate Building. Plans are being made for this work, which is due to start in the summer of 2018. The Feoffees also 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.

**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY
HUMPHREY CHETHAM ESQ AND INCORPORATED BY KING CHARLES II
ANNUAL REPORT OF THE FEOFFEEES
For the year ended 31 August 2017**

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.

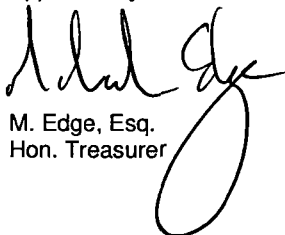
Statement of Feoffees' responsibilities in respect of the financial statements


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 4th June 2018 and signed on their behalf by:


M. Edge, Esq.
Hon. Treasurer


Mrs. S. C. Newman
Bursar

**Independent Auditor's Report to the Members of The Hospital and Library in
Manchester Founded by Humphrey Chetham Esq and Incorporated by King Charles II
For the year ended 31 August 2017**

Opinion

We have audited the financial statements of The Hospital and Library in Manchester Founded by Humphrey Chetham Esq and Incorporated by King Charles II for the year ended 31 August 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 August 2017 and of the group's 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

**Independent Auditor's Report to the Members of The Hospital and Library in
Manchester Founded by Humphrey Chetham Esq and Incorporated by King Charles II**
For the year ended 31 August 2017

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept by the parent charity; or
- 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

Responsibilities of Feoffees

As explained more fully in the feoffees' responsibilities statement set out on page 15, the feoffees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the feoffees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the feoffees are responsible for assessing the group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the feoffees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP

Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

11th June 2018

**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 2017

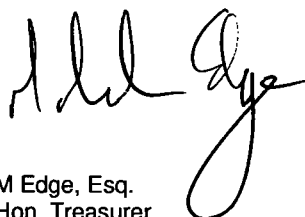
	Notes	Hospital Funds £	School Funds £	Library Funds £	2017 £	2016 £
Income from:						
Charitable activities:						
School fees	2	-	8,777,049	-	8,777,049	8,710,632
Ancillary trading	6	3,226	362,806	6,730	372,762	343,597
Other trading activities:						
Activities for generating funds	3	121,219	143,856	3,649	268,724	165,001
Investments:						
Investment income	4	18,735	23,821	96,702	139,258	152,759
Voluntary sources:						
Bequests and donations	5	461,116	1,754,145	241,339	2,456,600	6,294,030
Grants received		-	7,788	-	7,788	10,762
Total incoming resources		604,296	11,069,465	348,420	12,022,181	15,676,781
Expenditure on:						
Raising funds:						
Fundraising		83,154	40,360	-	123,514	138,951
Publicity		-	99,144	-	99,144	101,647
Conference and facility hire costs		96,971	50,612	5,290	152,873	128,191
Financing costs		164,239	4,290	-	168,529	175,746
Investment management costs		1,397	1,267	5,101	7,765	7,464
		345,761	195,673	10,391	551,825	551,999
Charitable activities:						
Teaching costs – academic		-	1,840,149	-	1,840,149	1,818,733
Teaching costs – music		-	3,548,657	-	3,548,657	3,212,218
Welfare		-	1,273,518	-	1,273,518	1,253,052
Premises		1,240,843	1,657,402	-	2,898,245	3,133,342
Scholarships and bursaries		-	72,066	-	72,066	66,318
Grants, awards and prizes		1,500	9,180	-	10,680	8,626
Library running costs		-	-	255,045	255,045	245,334
Support and Governance costs		16,843	79,452	1,522	97,817	117,753
		1,259,186	8,480,424	256,567	9,996,177	9,855,376
Total resources expended	9	1,604,947	8,676,097	266,958	10,548,002	10,407,375
Net (expenditure)/income		(1,000,651)	2,393,368	81,462	1,474,179	5,269,406
Transfer between funds	10	703,927	(785,827)	81,900	-	-
Gains/(losses) on investment assets:						
Realised		458	491	2,074	3,023	2,423
Unrealised		65,434	47,361	91,784	204,579	160,695
Net movement in funds		(230,832)	1,655,393	257,220	1,681,781	5,432,524
Fund balances at 1 September 2016		34,971,682	6,952,451	2,749,546	44,673,679	39,241,155
Fund balances at 31 August 2017		34,740,850	8,607,844	3,006,766	46,355,460	44,673,679

**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 2017**

	Note	2017 £	2016 £
Fixed assets			
Heritage assets	11	115,000	30,000
Tangible fixed assets	11	37,142,111	37,438,261
Investments	12	<u>4,311,765</u>	<u>4,109,886</u>
		41,568,876	41,578,147
Current assets			
Debtors - fees		395,614	480,700
- other debtors and prepayments	13	1,944,047	398,826
Cash at bank and in hand		<u>8,014,020</u>	<u>8,308,032</u>
		10,353,681	9,187,558
Creditors: amounts falling due within one year	14	<u>(3,246,929)</u>	<u>(3,658,316)</u>
Net current assets		<u>7,106,752</u>	<u>5,529,242</u>
Total assets less current liabilities		48,675,628	47,107,389
Creditors: amounts falling due after more than one year	15	<u>(2,320,168)</u>	<u>(2,433,710)</u>
Total net assets	16	<u>46,355,460</u>	<u>44,673,679</u>
Endowment funds	17	3,108,742	2,966,622
Restricted funds	18	36,229,856	34,795,161
Unrestricted funds	19	<u>7,016,862</u>	<u>6,911,896</u>
Total funds		<u>46,355,460</u>	<u>44,673,679</u>
Hospital funds		34,740,850	34,971,682
School funds		8,607,844	6,952,451
Library funds		<u>3,006,766</u>	<u>2,749,546</u>
Total funds	16	<u>46,355,460</u>	<u>44,673,679</u>

The financial statements were approved and authorised for issue by the Feoffees on
4th June 2018 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 2017**

	<i>Cash flow statement notes</i>	<i>2017 £</i>	<i>2016 £</i>
<i>Net cash inflow from operations</i>			
<i>Net cash provided by operating activities</i>	1	407,598	6,326,140
<i>Cash flows from investing activities</i>			
Investment income		139,258	152,759
Bank loan and interest payable		(168,529)	(175,746)
Payments to purchase buildings and other fixed assets		(571,375)	(6,532,831)
Payments to acquire investments, including cash awaiting investment		(69,090)	(38,164)
Receipts from sales of fixed asset investments		57,971	51,381
Decrease/(increase) in cash held by investment advisors		16,842	(6,657)
<i>Net cash used in investing activities</i>		<u>(594,923)</u>	<u>(6,549,258)</u>
<i>Cash flow from financing activities</i>			
Bank loan repayments		<u>(106,687)</u>	<u>(100,082)</u>
<i>Net cash used in financing activities</i>		<u>(106,687)</u>	<u>(100,082)</u>
<i>Change in cash and cash equivalents in the reporting period</i>		(294,012)	(323,200)
<i>Cash and cash equivalent at the beginning of the period</i>		<u>8,308,032</u>	<u>8,631,232</u>
<i>Cash and cash equivalent at the end of the period</i>	2	<u>8,014,020</u>	<u>8,308,032</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 2017**

1. Reconciliation of net expenditure to net cash flow from operating activities

	<i>2017</i>	<i>2016</i>
	£	£
Net incoming resources	1,474,179	5,269,406
Donated heritage assets	(85,000)	-
Depreciation	867,525	778,160
Investment income	(139,258)	(152,759)
Bank and loan interest payable	168,529	175,746
Increase in debtors	(1,460,135)	(80,138)
(Decrease)/increase in creditors	(418,242)	335,725
Net cash inflow from operating activities	<u>407,598</u>	<u>6,326,140</u>

2. Analysis of cash and cash equivalent

	<i>2017</i>	<i>2016</i>
	£	£
Cash at bank	8,014,020	8,308,032
	<u>8,014,020</u>	<u>8,308,032</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 2017**

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 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 and School Governing Body 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 upgrading of the boarding accommodation in the Millgate Building is the next priority, as well as the opening of the medieval buildings as part of the Visitor Attraction Project.

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 £6,738,397 was receivable (2016 - £6,730,907). 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 2017**

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. Chetham's Trading Limited is a subsidiary undertaking that is a wholly owned subsidiary of the School. The results of both subsidiaries are included in the accounts of the relevant charity.

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 2017**

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:

**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 2017**

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.

**The Hospital and Library in Manchester funded by Humphrey Chetham Esq
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2017**

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 and Chetham's Trading Limited after provision for Gift Aid payment.

Financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost 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, Felloes 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 Felloes 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

	2017 £	2016 £
Gross fees receivable	8,867,595	8,814,594
Less: total bursaries, grants and allowances	(162,612)	(170,280)
	<hr/>	<hr/>
Scholarships and bursaries financed from restricted and endowment funds	8,704,983	8,644,314
	72,066	66,318
	<hr/>	<hr/>
	<u>8,777,049</u>	<u>8,710,632</u>
The total educational awards financed from restricted funds comprise:		
	2017 £	2015 £
Scholarships and bursaries	72,066	66,318
Grants, awards and prizes	7,630	6,719
	<hr/>	<hr/>
	<u>79,696</u>	<u>73,037</u>

3. Other trading activities

	2017 £	2016 £
Trading income, summer schools and facility hire	<u>268,724</u>	<u>165,001</u>

Trading income includes £121,219 (2016: £108,271) in relation to Chetham's Hall Limited and £48,501 (2016: £nil) in relation to Chetham's Trading Limited.

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4. Investment income

	2017 £	2016 £
Income from UK listed investments (gross)	131,658	134,785
Interest on funds deposited on bank reserve accounts	7,600	17,974
	<u>139,258</u>	<u>152,759</u>

5. Bequests and donations

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

The Beaverbrooks Charitable Trust, Bluefin Insurance Services Ltd, the estate of the late E. Kerry, the estate of the late P. Clay, the Hargreaves and Ball Charitable Trust, the Haworth Charitable Trust, the Kirby Laing Charitable Trust, the Masonic Charitable Foundation, the estate of the late Ann Richardson, Sir Robert McAlpine, the Stoller Charitable Trust, Mr A. Torevell, the Zochonis Charitable Trust and the Trustees of the 29th May 1961 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

	2017 £	2016 £
Charitable activities		
Concert income	27,421	33,627
Piano Summer School	314,800	289,737
Sundry income	30,541	20,233
	<u>372,762</u>	<u>343,597</u>

7. Expenditure

	2017 £	2016 £
Charitable expenditure includes:		
Depreciation of fixed assets	867,525	778,160
Auditors' remuneration: audit services	18,274	16,260
Operating lease costs	<u>25,253</u>	<u>36,530</u>

The above excludes rent of £627,000 (2016 - £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

	<i>2017</i>	<i>2016</i>
	£	£
Wages and salaries	5,308,247	5,088,299
Social security costs	430,291	405,632
Pension contributions	601,844	588,427
	<u>6,340,382</u>	<u>6,082,358</u>

The average monthly number of employees in the year was 313 (2016 - 289) of which 174 (2016-- 173) 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 £451,775 (2016: £430,839).

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 £68 (2016: £61) in expenses during the year.

During the year the School paid £10,000 (2016 - £6,000) to one (2016 – one) employee and the Hospital paid £10,685 (2016 - £nil) to one (2016 – none) employee under confidential settlement agreements.

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

	<i>2017</i>	<i>2016</i>
	No.	No.
£ 60,001 to £70,000	-	-
£ 70,001 to £80,000	-	-
£ 80,001 to £90,000	-	2
£ 90,001 to £100,000	2	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-

Contributions paid in the year for the provision of money purchase pension schemes for higher paid employees were £12,236 (2016 - £12,170). There is 1 (2016 – 1) higher paid employee to whom retirement benefits are accruing under money purchase schemes and 2 (2016 – 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 2017</i>	<i>Total 2016</i>
	£	£	£	£	£
<i>Cost of generating funds</i>					
Fundraising	78,515	44,999	-	123,514	138,951
Publicity	66,702	32,442	-	99,144	101,647
Conference and facility hire	39,441	113,432	-	152,873	128,191
Financing costs	-	168,529	-	168,529	175,746
Investment management costs	-	7,765	-	7,765	7,464
	<u>184,658</u>	<u>367,167</u>	<u>-</u>	<u>551,825</u>	<u>551,999</u>
<i>Charitable activities</i>					
Teaching costs – academic	1,645,932	194,217	-	1,840,149	1,818,733
Teaching costs - music	2,930,524	618,133	-	3,548,657	3,212,218
Welfare	505,700	767,818	-	1,273,518	1,253,052
Premises	846,704	1,184,016	867,525	2,898,245	3,133,342
Scholarships & bursaries	-	72,066	-	72,066	66,318
Grants, awards & prizes	-	10,680	-	10,680	8,626
Library costs	178,001	77,044	-	255,045	245,334
Support costs and governance	48,863	48,954	-	97,817	117,753
	<u>6,155,724</u>	<u>2,972,928</u>	<u>867,525</u>	<u>9,996,177</u>	<u>9,855,376</u>
<i>Total resources expended</i>	<u>6,340,382</u>	<u>3,340,095</u>	<u>867,525</u>	<u>10,548,002</u>	<u>10,407,375</u>

Conference and facility hire includes £96,971 (2016: £95,442) in relation to Chetham's Hall Limited.

Teaching costs includes £28,763 (2016: £nil) in relation to Chetham's Trading Limited.

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9. Analysis of total resources expended (continued)

Total resources expended includes £826,147 (2016 - £827,437) 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 2017</i>	<i>Total 2016</i>
Support Costs	£	£	£	£	£
Management	-	110,211	162,333	272,544	270,856
Administration	-	228,405	17,815	246,220	245,034
Recruitment	-	14,340	-	14,340	67,472
Office costs	1,497	49,285	11,485	62,267	85,449
IT	-	79,392	-	79,392	46,284
Legal and professional	-	90,200	-	90,200	52,386
Insurance	-	61,184	-	61,184	59,956
	1,497	633,017	191,633	826,147	827,437

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>			
	£	£	£	£	£
Hospital					
Rent from School	627,000	-	-	-	627,000
Contribution to Chetham's Library	(81,900)	-	-	-	(81,900)
New School Development Fund	(267,717)	-	202,513	-	(65,204)
Capitalisation of Concert Hall costs	-	-	174,670	-	174,670
Concert Hall Fund	-	-	(174,670)	-	(174,670)
Contribution from School for the Bar/Kitchen	-	-	951	-	951
Capitalisation of Bar/Kitchen	-	-	200,951	-	200,951
Bar/Kitchen Fund	-	-	(200,951)	-	(200,951)
Contribution from School for the Nicholls	-	-	-	-	-
Building Conversion Fund	-	-	162,876	-	162,876
Capitalisation of New School Building costs	-	-	65,204	-	65,204
Palatine Demolition Project	-	6	(6)	-	-
Transfer to School for Projector	-	-	(5,000)	-	(5,000)
	277,383	6	426,538	-	703,927
School					
Rent paid to Hospital	(627,000)	-	-	-	(627,000)
Contribution from School for Nicholls Building	-	-	(162,876)	-	(162,876)
Conversion Fund	-	-	(2,337)	-	-
Transfer from David Hartigan Fund for tours	-	2,337	80,550	-	80,550
Capitalisation of fixed assets	-	-	(55,650)	-	(55,650)
Instrument Fund	-	-	(24,900)	-	(24,900)
Miscellaneous Fund	-	-	-	-	-
Transfer for Chiller Unit	(6,000)	6,000	-	-	-
Transfer for Projector	2,500	-	(2,500)	-	-
Contribution from Hospital for Projector	5,000	-	-	-	5,000
Transfer towards the costs of the Royal	-	-	-	-	-
Opening of the Stoller Hall	10,000	-	(10,000)	-	-
Contribution to Hospital for the Bar/Kitchen	-	(951)	-	-	(951)
	(615,500)	7,386	(177,713)	-	(785,827)

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10. Transfers between funds (continued)

	<i>Unrestricted Funds</i>		<i>Restricted</i>	<i>Endowment</i>	<i>Total</i>
	<i>General</i>	<i>Designated</i>	<i>Funds</i>	<i>Funds</i>	<i>Funds</i>
	£	£	£	£	£
Library					
Contribution from Hospital	81,900	-	-	-	81,900
Transfer from Library Patrons Fund	3,361	-	(3,361)	-	-
	85,261	-	(3,361)	-	81,900
TOTAL	(252,856)	7,392	245,464	-	-

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11. Tangible fixed assets

	<i>Heritage Assets</i>	<i>Freehold Property</i>	<i>Furniture, Fittings, Plant & Equipment</i>	<i>Instruments</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 1 September 2016	30,000	43,222,244	142,548	86,999	43,481,791
Additions	85,000	227,410	263,415	80,550	656,375
At 31 August 2017	115,000	43,449,654	405,963	167,549	44,138,166
Depreciation:					
At 1 September 2016	-	5,845,371	100,000	68,159	6,013,530
Charge for the year	-	819,621	29,053	18,851	867,525
At 31 August 2017	-	6,664,992	129,053	87,010	6,881,055
Net book value:					
At 31 August 2017	115,000	36,784,662	276,910	80,539	37,257,111
At 1 September 2016	30,000	37,376,873	42,548	18,840	37,468,261

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 (NWD A). This piece of land is secured by legal charges in favour of Nat West as security for the 2011 bank loan and secondly the NWD A 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 three 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:

	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
	£	£	£	£	£
Additions:					
Donations	85,000	-	-	15,000	15,000
Total	85,000	-	-	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 2016	908,484	40,390	3,161,012	4,109,886
Additions	15,640	-	53,450	69,090
Disposals	(14,034)	-	(40,914)	(54,948)
Revaluation gains	60,840	1,627	142,112	204,579
Change in amounts awaiting investment	(2,446)	(1)	(14,395)	(16,842)
Balance at 31 August 2017	<u>968,484</u>	<u>42,016</u>	<u>3,301,265</u>	<u>4,311,765</u>
Historical cost of listed investments	<u>817,671</u>	<u>42,483</u>	<u>2,896,931</u>	<u>3,757,085</u>
Listed on UK stock exchange	966,623	41,952	3,300,605	4,309,180
Cash awaiting investment	<u>1,861</u>	<u>64</u>	<u>660</u>	<u>2,585</u>
	<u>968,484</u>	<u>42,016</u>	<u>3,301,265</u>	<u>4,311,765</u>

All investments are held to provide an investment return.

The following investments have a market value at 31 August 2017 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	2,608,820
Mayfair Capital in Property Income Trust for Charities	466,604	396,754
COIF Accumulation Units	2,550	382,279
Castlefield Managed Multi Asset Fund	97,137	234,002

13. Debtors (excluding fees)

	<i>2017 £</i>	<i>2016 £</i>
Other debtors	142,708	69,030
Prepayments	198,057	162,643
Accrued income	<u>1,603,282</u>	<u>167,153</u>
	<u>1,944,047</u>	<u>398,826</u>

Bad debts totalling £14 were written off during the year (2016: £606) with a further £7,221 increase in provision (2016: increase of £1,799).

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

	2017	2016
	£	£
Bank loans (note 15)	111,469	104,614
Other creditors and accruals	1,235,460	1,653,702
Fees received in advance from DfE	<u>1,900,000</u>	<u>1,900,000</u>
	<u>3,246,929</u>	<u>3,658,316</u>

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

	2017	2016
	£	£
Bank loans	<u>2,320,168</u>	<u>2,433,710</u>
	<u>2,320,168</u>	<u>2,433,710</u>

The total bank loans outstanding at 31 August 2017 amounted to £2,431,637 (2016 - £2,538,324). Of this amount £111,469 (2016 - £104,614) 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>
	£	£	£	£	£
Hospital					
Unrestricted	2,168,018	2,227	82,917	-	2,253,162
Restricted	34,820,255	392,678	(937,884)	(2,320,168)	31,954,881
Endowment	-	533,522	(715)	-	532,807
	<u>36,988,273</u>	<u>928,427</u>	<u>(855,682)</u>	<u>(2,320,168)</u>	<u>34,740,850</u>
School					
Unrestricted	81,966	39,789	4,341,768	-	4,463,523
Restricted	71,872	546,491	3,525,958	-	4,144,321
	<u>153,838</u>	<u>586,280</u>	<u>7,867,726</u>	<u>-</u>	<u>8,607,844</u>
Library					
Unrestricted	115,000	-	185,177	-	300,177
Restricted	-	29,315	101,339	-	130,654
Endowment	-	2,767,743	(191,808)	-	2,575,935
	<u>115,000</u>	<u>2,797,058</u>	<u>94,708</u>	<u>-</u>	<u>3,006,766</u>
Total					
Unrestricted	2,364,984	42,016	4,609,862	-	7,016,862
Restricted	34,892,127	968,484	2,689,413	(2,320,168)	36,229,856
Endowment	-	3,301,265	(192,523)	-	3,108,742
	<u>37,257,111</u>	<u>4,311,765</u>	<u>7,106,752</u>	<u>(2,320,168)</u>	<u>46,355,460</u>

17. Endowment funds

	<i>Balance at 1 September 2016</i>	<i>Incoming Resources</i>	<i>Resources expended</i>	<i>Investment gains/(losses)</i>	<i>Transfers between funds</i>	<i>Balance at 31 August 2017</i>
	£	£	£	£	£	£
Hospital						
Investment Replacement	334,083	-	-	45,963	-	380,046
Sinking Funds						
EF Jacob Endowment Fund	147,469	-	-	5,292	-	152,761
	<u>481,552</u>	<u>-</u>	<u>-</u>	<u>51,255</u>	<u>-</u>	<u>532,807</u>
Library						
Grants from Heritage Lottery Fund	2,485,070	-	-	90,865	-	2,575,935
Total	<u>2,966,622</u>	<u>-</u>	<u>-</u>	<u>142,120</u>	<u>-</u>	<u>3,108,742</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 31st 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 2016</i>	<i>Incoming resources</i>	<i>Resources expended</i>	<i>Transfers between funds</i>	<i>Investments gains/(losses)</i>	<i>Balance at 31 August 2017</i>
	£	£	£	£	£	£
Hospital						
Capital Fund - Millgate Extension	1,133,860	-	(39,668)	-	-	1,094,192
Capital Fund - New Land	4,500,000	-	-	-	-	4,500,000
Capital Fund - New School Building	21,042,451	-	(598,789)	253,691	-	20,697,353
Capital Fund – Nicholls Conversion	698,673	-	(22,298)	-	-	676,375
Capital Fund – Concert Hall	7,731,921	-	(66,719)	187,134	-	7,852,336
Improvements Fund	16,737	1,722	-	-	1,580	20,039
New School Development Fund	(2,859,010)	72,306	(164,239)	214,977	-	(2,735,966)
Nicholls Building Conversion Fund	(326,697)	-	-	162,876	-	(163,821)
Concert Hall Fund	(361,299)	377,000	(64,863)	(192,134)	-	(241,296)
Bar/Kitchen Fund	199,822	-	178	(200,000)	-	-
Instrument Fund	167,361	6,439	(1,500)	-	3,827	176,127
Nicholls Fund	96,356	5,306	(31,436)	-	8,961	79,187
Medieval Manchester Fund	6	-	-	(6)	-	-
Miscellaneous Restricted Fund	575	330	(550)	-	-	355
	32,040,756	463,103	(989,884)	426,538	14,368	31,954,881
School						
Vernon Farley Fund	14,212	170	(25)	-	157	14,514
Hazel Smith Fund	12,681	133	-	-	124	12,938
Ida Carroll Fund	6,231	2,000	(2,000)	-	-	6,231
Hospital Prize Fund	81,519	250	(235)	-	517	82,051
Kolbert Music Prize Fund	2,454	50	(50)	-	46	2,500
Academic Prizes Fund	300	20	(20)	-	-	300
Music Prizes Fund	218	200	(418)	-	-	-
Competition Fund	232	-	-	-	-	232
David Hartigan Memorial Piano Fund	7,033	79	(200)	(1,400)	110	5,622
Neil Vint Bursary Fund	31,830	1,265	(1,000)	-	833	32,928
Milne Fund	140,908	11	-	-	31,007	171,926
Bursary Fund	1,455,694	58,013	(69,066)	-	10,827	1,455,468
Hospitallers Camp Fund	18,593	309	(1,521)	-	287	17,668
Mainprice Scholarship Fund	118,918	2,055	-	(122,876)	1,903	-
Mellor Endowment Fund	4,905	19	-	-	225	5,149
Amy Watson Endowment Fund	23,474	38	-	-	458	23,970
John Shaw Bursary Fund	50,000	-	-	-	-	50,000
Stoller Bursary Fund	-	5,000	(3,661)	-	-	1,339
Ethel Kerry Bequest Fund	-	1,500,000	-	-	-	1,500,000
Co-op Fund	1,665	-	-	-	-	1,665
Miscellaneous Restricted Fund	150,548	9,530	(817)	(64,900)	-	94,361
Instrument Fund	64,907	-	(2,000)	(55,650)	-	7,257
Friends of Chetham's Fund	19,835	9,897	-	(10,000)	-	19,732
Chets in London Fund	6,250	-	(163)	-	-	6,087
Stoller Hall Fund	-	154	-	-	-	154
Capital Fund - Instruments	5,840	-	(14,518)	80,550	-	71,872
Piano Summer School Fund	224,915	314,800	(285,681)	-	-	254,034
Grants and Other Income Fund	266,324	149,378	(105,942)	(3,437)	-	306,323
	2,709,486	2,053,371	(487,317)	(177,713)	46,494	4,144,321

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18. Restricted funds (continued)

Library	<i>Balance at 1 September 2016</i> £	<i>Incoming resources</i> £	<i>Resources expended</i> £	<i>Transfers Between funds</i> £	<i>Investments gains/(losses)</i> £	<i>Balance at 31 August 2017</i> £
Burney Fund	10,761	1,166	(7,143)	-	919	5,703
J Paul Getty Fund	16,914	-	(2,325)	-	-	14,589
Miscellaneous Restricted Fund	294	-	-	-	-	294
Library Patrons Fund	-	3,408	-	(3,361)	-	47
Aurelius Trust Fund	2,700	-	(2,700)	-	-	-
Karl Marx Fund	5,000	2,550	(6,188)	-	-	1,362
Hulme Trust Fund	-	8,384	(8,384)	-	-	-
Arts Council Fund	9,250	9,250	(13,521)	-	-	4,979
Karl Marx Recording Project Fund	-	800	-	-	-	800
Arts and Heritage Fund	-	13,000	(5,000)	-	-	8,000
Booth Charities Fund	-	34,680	(4,800)	-	-	29,880
Leche Fund	-	2,000	(2,000)	-	-	-
NMCT Hay Fund	-	8,350	(8,350)	-	-	-
HLF Project Fund	-	65,000	-	-	-	65,000
	44,919	148,588	(60,411)	(3,361)	919	130,654
Total	34,795,161	2,665,062	(1,537,612)	245,464	61,781	36,229,856

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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 2017 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 2017 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 2017 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. This fund is now fully expended.

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. This fund is now fully expended.

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, 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.

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. This fund has been transferred to the Hospital as a contribution to the funding gap on the Nicholls Extension project.

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.

Stoller Bursary Fund

A fund established by the Stoller Charitable Trust to support students who live in Oldham.

Ethel Kerry Bursary Fund

A fund established from the estate of the late Ethel Kerry, to provide bursaries for students who live in Lancashire, Yorkshire, Cumbria and Scotland.

Co-op Fund

A fund established to help the School.

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18. Restricted funds (continued)

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.

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.

Stoller Hall Fund

A fund to support the costs of running the Stoller Hall.

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.

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. This fund is now fully expended.

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 digitising Library archives.

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NOTES TO THE FINANCIAL STATEMENTS
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18. Restricted funds (continued)

Karl Marx Recording Project Fund

This is a fund established with a grant from the Lipman Miliband Trust for digitising and making facsimiles of the books used by Marx when he visited the Library.

Arts and Heritage Fund

This is a fund established for an art installation in the Library.

Booth Charities Fund

This is a fund established for a project on the history of Salford.

Leche Fund

This is a fund established for the conservation of some of the Library's Hogarth prints. This fund is now fully expended.

NMCT Hay Fund

This is a fund established for the conservation of the Hay manuscripts. This fund is now fully expended.

HLF Project Fund

This is a fund established to support the HLF application for the visitor attraction project.

19. Unrestricted funds

	Balance at 1 September 2016 £	Incoming resources £	Resources expended £	Transfers between funds £	Investment gains/ (losses) £	Balance at 31 August 2017 £
Hospital						
General Fund	2,604,061	44,222	(300,466)	277,383	269	2,625,469
Designated funds:						
Palatine Demolition Fund	(154,687)	-	(217,626)	6	-	(372,307)
	<u>2,449,374</u>	<u>44,222</u>	<u>(518,092)</u>	<u>277,389</u>	<u>269</u>	<u>2,253,162</u>
School						
General Fund	4,209,172	9,016,094	(8,162,534)	(615,500)	1,358	4,448,590
Designated funds:						
Tours Fund	185	-	(2,501)	2,337	-	21
New School Move Fund	33,476	-	(23,745)	(951)	-	8,780
Noise at Work Fund	132	-	-	-	-	132
Chiller Unit Fund	-	-	-	6,000	-	6,000
	<u>4,242,965</u>	<u>9,016,094</u>	<u>(8,188,780)</u>	<u>(608,114)</u>	<u>1,358</u>	<u>4,463,523</u>
Library						
General Fund	219,535	199,236	(201,559)	85,261	2,074	304,547
Designated funds:						
Leech Collection	22	-	(22)	-	-	-
Library Guides Fund	-	596	(4,966)	-	-	(4,370)
	<u>219,557</u>	<u>199,832</u>	<u>(206,547)</u>	<u>85,261</u>	<u>2,074</u>	<u>300,177</u>
	<u>6,911,896</u>	<u>9,260,148</u>	<u>(8,913,419)</u>	<u>(245,464)</u>	<u>3,701</u>	<u>7,016,862</u>

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19. Unrestricted funds (continued)

Hospital

Palatine Demolition Fund

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

School

Tours Fund

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

New School Move Fund

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

Noise at Work Fund

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

Chiller Unit Fund

A fund established to provide resources for replacing the Chiller Unit in the New School Building at the end of its useful life.

Library

Leech Collection Exhibition Fund

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

Library Guides Fund

A fund to account for the purchase and sale of Library Guide books.

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 £498,860 (2016: £485,144).

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 and completed in 2018, 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 £17,325 million, being 93% of members' accrued benefits. The assumed funding basis discount rate was 4.2% and the rate of increase in salaries was between 2.2% and 2.9%. 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 2017 were £15,817 (2016 - £18,157). The employee contribution rate varied between 5.5% and 6.8%, depending upon actual pay levels. The employer contribution rate was 21.6%.

In addition to the above, the contributions made by Chetham's Hospital, School and Library to a money purchase scheme amounted to £87,167 (2016 - £85,126).

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21. Operating lease commitments

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

	<i>Equipment</i>	
	<i>2017</i>	<i>2016</i>
	£	£
Within one year	28,838	39,841
Between two and five years	92,278	78,432
After five years	<u>4,902</u>	<u>24,510</u>
	<u>126,018</u>	<u>142,783</u>

22. Capital commitments

	<i>2017</i>	<i>2016</i>
	£	£
Contracted for, but not provided in the financial statements	<u>52,084</u>	<u>484,116</u>

23. Financial Instruments

	<i>2017</i>	<i>2016</i>
	£000	£000
Financial assets measured at amortised cost (a)	10,156	9,025
Financial assets measured at fair value (b)	4,312	4,110
Financial liabilities measured at amortised cost (c)	(5,496)	(5,941)
	<u> </u>	<u> </u>
Net financial assets measured at amortised cost	8,972	7,194
	<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 (2016: £nil).

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24. Statement of financial activities – comparative figures by fund

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