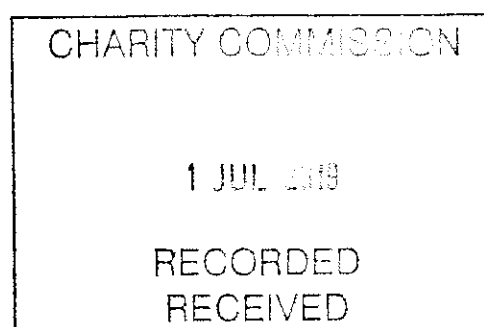


**THE HOSPITAL AND LIBRARY IN MANCHESTER
FOUNDED BY HUMPHREY CHETHAM ESQ
AND INCORPORATED BY KING CHARLES II**

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 August 2018



**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY
HUMPHREY CHETHAM ESQ AND INCORPORATED BY KING CHARLES II
ANNUAL REPORT OF THE FEOFFEES
For the year ended 31 August 2018**

Contents

	Page
Annual Report of the Feoffees	1
Independent Auditors' Report	16
Statement of Financial Activities	18
Balance Sheet	19
Cash Flow Statement	20
Notes to the Cash Flow Statement	21
Notes to the Financial Statements	22

**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 2018**

The Feoffees and School Governing Body present their annual report for the year ended 31 August 2018 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	
Dame A. Burslem	
Dr. S. Butler	(Resigned March 2019)
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	
Mrs. P. Newman	
M. Oglesby, Esq.	
P. Ramsbottom, Esq.	(Resigned March 2019)
H. Ross, Esq.	

**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 2018**

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:

M. Edge, Esq.	(Treasurer and Chair)
Ms. S. Barnes	(Appointed January 2018)
Mrs. C. Baxendale	
Prof. B. Brennan	(Appointed by the School Governing Body)
Ms. A. Corcoran	(Nominated by Manchester City Council)
Councillor J. Davies	(Nominated by Manchester City Council)
Mrs. T. Dixon	(Appointed September 2018)
K. Jaquiss, Esq.	
Prof. L. Merrick	
Mrs. P. Newman	
H. Ross, Esq.	(Appointed May 2019)
N. Shepherd, Esq.	(Appointed September 2018)
J. Wainwright, Esq.	(Resigned May 2018)
Canon M. Wall	(Nominated by the Dean and Chapter of Manchester Cathedral. Appointed September 2018)
S. Webb, Esq.	
Dr. S. Zhi	(Appointed May 2019)

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. Resigned March 2019)
Professor H. Barker	(Chairman from April 2019)
M. Edge, Esq.	(Treasurer. Resigned September 2017)
N. Barker, Esq.	
Professor J. Bergin	
Dr. A. Biswell	
N. Brooks-Sykes, Esq.	(Appointed September 2018)
J. Early, Esq.	(Appointed January 2017 and resigned November 2017)
Mrs. C. Paynton	(Appointed September 2018)
P. Ramsbottom, Esq.	(Resigned March 2019)
Professor M. Schmidt	

**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 2018**

Officers

The Principal	A. Jones, Esq.
The Bursar	Mrs. S.C. Newman
The Librarian	Dr. M.R. Powell
The Clerk to the Feoffees	J. Aldersley, Esq.

Principal Office 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 U.K. (previously 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
Manchester
M15 4PS

**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY
HUMPHREY CHETHAM ESQ AND INCORPORATED BY KING CHARLES II
ANNUAL REPORT OF THE FEOFFEES
For the year ended 31 August 2018**

Insurance brokers

Jelf Insurance Brokers Limited
Kabel House
15 Quay Street
Manchester
M3 3HN

**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY
HUMPHREY CHETHAM ESQ AND INCORPORATED BY KING CHARLES II
ANNUAL REPORT OF THE FEOFFEES
For the year ended 31 August 2018**

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.

Chetham's Hospital, Chetham's School of Music and Chetham's Library are separate charities but are registered under one Charity Number, following a Uniting Direction issued 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 Chetham's Hospital.

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

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.

Recruitment and training

Chetham's 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.

Chetham's School of Music

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 Principal. 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 Development Department on its operation and the School's Designated Safeguarding Lead attended the September 2017 meeting to answer questions on the School's Safeguarding Policy.

**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 2018**

Chetham's 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 Chetham's Hospital and of Chetham's 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 Chetham's Hospital is delegated to the Bursar for financial and buildings matters.

The day to day running of Chetham's 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 Principal.

The Remuneration Sub-Committee sets the remuneration packages for the Principal, 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 Principal, 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, 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.

**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY
HUMPHREY CHETHAM ESQ AND INCORPORATED BY KING CHARLES II
ANNUAL REPORT OF THE FEOFFEES
For the year ended 31 August 2018**

The key controls used by the Foundation include:

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

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

Objects, aims, objectives and activities

Charitable objects

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

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

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

Public benefit aims and intended impact

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

The Public Benefit aims of the School are as follows:

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

**THE 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 2018**

Chetham's Outreach programme has continued to develop, showing an increase on the previous year in the number of people it impacted and continuing to develop its strategic and long term approach.

This year the activity impacted over 40 schools, approximately 3,800 people and offered over 60 separate events and workshops. Our partners included community settings, other arts organisations such as Manchester Camerata, Nordoff Robbins and the Seashell Trust, twelve music services and three music education hubs.

The Outreach Team has expanded along with the programme. As well as the Outreach Programme Manager and Outreach Co-ordinator, the School has three workshop facilitators which means that longer term projects can be delivered over a sustained period.

Some project highlights have included the Bernstein Beat. This was a young orchestra of talented players drawn from around Greater Manchester and invited via the School's GM Music Hub partners. Alongside Chetham's students they rehearsed and performed the Bernstein Beat, in honour of the 100th anniversary of the birth of Leonard Bernstein and narrated by his daughter, Nina Bernstein-Simmons.

Violetta, Chetham's junior string ensemble, led a String Day for young string players in Warrington and Halton. This provided an opportunity for young string players to play alongside Chetham's students, as well as hear them perform, hopefully inspiring them on to achieve as much as they can in their own playing.

The year included four sets of Schools and Family Concerts, each 'set' comprising of 2 school concerts and one family concert. These concerts had an attendance of approximately 1,700 people across the year. The concerts all have the underlying theme of introducing orchestral instruments and providing the chance for children to hear them played live in a stunning context. In addition the concerts have strong links with other areas of the National Curriculum, such as science and maths. The scripts and repertoire are designed to emphasise these links and teachers receive a resource sheet to take away. Each family concert is preceded by a free early years drop-in, provided by 4 members of the orchestra. Children aged 0-5 experience the instruments close up, sing songs and interact with members of the orchestra.

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

Objectives for the year

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

The main objectives of the School were as follows:

- To ensure that the School's Safeguarding Policy and practices are exemplary and fulfill all regulatory and statutory requirements.
- To continue to achieve consistently high results in musical and academic fields.
- Working with the Feoffees, to further the Site Development Project which has provided the New School Building and the new Stoller Hall, a 482 seat concert hall.
- To continue to provide opportunities to the public via the School's extensive outreach programme, widening access to the School.

**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY
HUMPHREY CHETHAM ESQ AND INCORPORATED BY KING CHARLES II
ANNUAL REPORT OF THE FEOFFEES
For the year ended 31 August 2018**

- To increase the amount of bursary funding for overseas and home students to enable more students to be supported financially. £181,448 (2017: £162,612) 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: making good the site of the former Palatine Building; further developing the plans for the Medieval Manchester Visitor Attraction; assisting the School in planning for the major refurbishment of the boys' boarding accommodation in the Millgate Building; continuing to raise the necessary financial support for the Site Development Project. The securing of the financial viability of Chetham's Library is also being reviewed in conjunction with the Library Committee.

The 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. The next phase of the project is to refurbish the boys' boarding accommodation in the Millgate Building. The construction work started in Summer 2018 and will continue for a number of years.
- 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.

**THE HOSPITAL AND LIBRARY IN MANCHESTER FOUNDED BY
HUMPHREY CHETHAM ESQ AND INCORPORATED BY KING CHARLES II
ANNUAL REPORT OF THE FEOFFEES
For the year ended 31 August 2018**

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 £101 million on a rebuilding basis.

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

Grant making policy

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

Whilst most of the awards from the Hospital are small and given as bursaries, any grant from the Instrument Fund is given to parents in support of their requests for assistance in buying instruments for their children. The parents usually have to contribute to any purchase. This year, the value of awards made by the Hospital to the School's students was £1,000 (2017 - £1,500). A grant of £88,000 (2017 - £81,900) 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 £133,051 (2017 - £90,546) from Unrestricted Funds and £48,397 (2017 - £72,066) 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

Chetham's 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.

**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 2018**

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.

This year the 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.

Chetham's School of Music

At the start of the year there were 306 students on roll, compared to 301 the previous year. This number includes 10 Choristers, as the School acts as the Choir School for Manchester Cathedral. There were 170 girls and 136 boys, with 142 students in the 6th Form, 140 in Years 7 to 11 and 24 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 2017 there were 169 applications and 106 auditions with 84 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 £6,721 (2017 - £8,131), providing support to a total of 27 (2017 – 20) 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.

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 a 100% pass rate and 78% of the candidates receiving A* to B grades. Results at GCSE level were also pleasing with 93% 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.

Destinations of the Upper 6th Form leavers continue to be varied. 63 (87%) of the leavers were accepted to read Music at university, music college or conservatoire, and the most popular destinations were the Royal College of Music and the Royal Academy of Music. Other (non-Music) destinations included Oxford, Cambridge and Durham for subjects such as English, Engineering and French.

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 Carole Nash Recital Hall and the Stoller Hall, the new 482-seater concert hall, which had its Royal Opening in April 2017.

**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 2018**

The next phase of the Project is to fully refurbish the boy's boarding accommodation in the Millgate Building. This work started in Summer 2018 and will continue for a number of years.

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.

Chetham's 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 funded by the Booth Charities continued, 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 including a review of governance and management.

Fundraising for the Library's work continues. The Patrons of Chetham's Library scheme was launched in 2013 and raised £4,118 this year (2017: £3,408).

Fundraising performance against objectives

During the year £2,002,529 (2017: £2,456,600) 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.

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 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 2018**

Due to significant falls in the stock market during the year, the Foundation's annualized total return on investment assets was £67,369 (2017: £346,860).

Investment income in the Hospital fell slightly during the year to £18,336 (2017 - £18,735) and realised gains were £146 (2017 - £458).

Investment income in the School increased during the year to £28,052 (2017 - £23,821) and realised investment gains were £52 (2017 - £491).

Investment income in the Library decreased slightly during the year to £94,602 (2017 - £96,702) and realised investment gains were £5,143 (2017 - £2,074).

Financial Review

The Foundation recorded an overall deficit on unrestricted funds of £114,107 (2017 - surplus of £104,966) and its total Unrestricted Funds now stand at £6,902,755 (2017 - £7,016,862).

The Hospital recorded a deficit on unrestricted funds for the year of £187,957 (2017 - £196,212) and its total Unrestricted Funds now stand at £2,065,205 (2017 - £2,253,162). This includes a deficit of £471,000 (2017 - £372,307) in Designated Funds.

The School recorded a surplus on unrestricted funds for the year of £55,401 (2017 - £220,558) and its total Unrestricted Funds now stand at £4,518,924 (2017 - £4,463,523). This includes £219,003 (2017 - £14,933) which is designated for a variety of specific purposes.

The Library recorded a surplus on unrestricted funds for the year of £18,449 (2017 - £80,620) and its total Unrestricted Funds now stand at £318,626 (2017 - £300,177). This includes a deficit of £1,490 (2017 - £4,370) 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. 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 FEOFFEES
For the year ended 31 August 2018**

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 2018 were £6,902,755 (2017 - £7,016,862) of which £(253,487) (2017 - £(361,744)) 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 2018 the surplus on free reserves increased to £4,669,097 (2017 - £4,651,878).

Restricted reserves of the Foundation were £37,060,343 (2017: £36,229,856). Of this balance £33,975,184 (2017: £34,892,127) is represented by fixed assets.

Hospital

Free reserves of the Hospital are £7,314 (2017 – £85,144).

Restricted reserves are £31,210,480 (2017: £31,954,881). 3 (2017: 3) capital project funds are in deficit at the year end by £2,966,056 (2017: £3,141,083) as expenditure has been incurred in advance of income being received for the projects.

School

Free reserves of the School are £4,458,157 (2017 - £4,381,557). At present, the level of reserves is equivalent to around twenty five weeks' expenditure.

Restricted reserves are £5,212,985 (2017: £4,144,321) and are held for a variety of purposes.

Library

Free reserves of the Library are £203,626 (2017 - £185,177). This is around one year's operating costs and is deemed to be sufficient at present, although it is hoped that the balance would increase each year to cover rising costs.

Restricted reserves are £93,568 (2017: £130,654) 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. This work started in the summer of 2018 and will continue for a number of years. 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 2018**

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 *25th June* 2019 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 2018

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 2018 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 2018 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 2018

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 U.K. LLP

Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

26th June 2019

**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 2018

	Notes	Hospital Funds £	School Funds £	Library Funds £	2018 £	2017 £
Income from:						
<i>Charitable activities:</i>						
School fees	2	-	8,903,146	-	8,903,146	8,777,049
Ancillary trading	6	578	415,800	14,292	430,670	372,762
<i>Other trading activities:</i>						
Activities for generating funds	3	123,643	318,684	4,998	447,325	268,724
<i>Investments:</i>						
Investment income	4	18,336	28,052	94,602	140,990	139,258
<i>Voluntary sources:</i>						
Bequests and donations	5	44,691	1,904,344	53,494	2,002,529	2,456,600
Grants received		-	3,686	-	3,686	7,788
Total incoming resources		187,248	11,573,712	167,386	11,928,346	12,022,181
Expenditure on:						
<i>Raising funds:</i>						
Fundraising		85,784	81,890	-	167,674	123,514
Publicity		-	96,599	-	96,599	99,144
Conference and facility hire costs		113,188	212,694	34	325,916	152,873
Financing costs		154,519	4,312	-	158,831	168,529
Investment management costs		1,324	1,012	5,282	7,618	7,765
		354,815	396,507	5,316	756,638	551,825
<i>Charitable activities:</i>						
Teaching costs – academic		-	1,922,263	-	1,922,263	1,840,149
Teaching costs – music		-	3,630,208	-	3,630,208	3,548,657
Welfare		-	1,373,201	-	1,373,201	1,273,518
Premises		1,314,603	1,797,378	-	3,111,981	2,898,245
Scholarships and bursaries		-	48,397	-	48,397	72,066
Grants, awards and prizes		1,000	5,966	-	6,966	10,680
Library running costs		-	-	271,398	271,398	255,045
Support and Governance costs		22,616	67,103	1,335	91,054	97,817
		1,338,219	8,844,516	272,733	10,455,468	9,996,177
Total resources expended	9	1,693,034	9,241,023	278,049	11,212,106	10,548,002
Net (expenditure)/income		(1,505,786)	2,332,689	(110,663)	716,240	1,474,179
Transfer between funds	10	589,000	(677,000)	88,000	-	-
Gains/(losses) on investment assets:						
Realised		146	52	5,143	5,341	3,023
Unrealised		19,753	11,634	(110,349)	(78,962)	204,579
Net movement in funds		(896,887)	1,667,375	(127,869)	642,619	1,681,781
Fund balances at 1 September 2017		34,740,850	8,607,844	3,006,766	46,355,460	44,673,679
Fund balances at 31 August 2018		33,843,963	10,275,219	2,878,897	46,998,079	46,355,460

**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 2018**

	Note	2018 £	2017 £
Fixed assets			
Heritage assets	11	115,000	115,000
Tangible fixed assets	11	36,093,842	37,142,111
Investments	12	<u>4,231,526</u>	<u>4,311,765</u>
		40,440,368	41,568,876
Current assets			
Debtors - fees		346,131	395,614
- other debtors and prepayments	13	1,409,040	1,944,047
Cash at bank and in hand		<u>10,155,818</u>	<u>8,014,020</u>
		11,910,989	10,353,681
Creditors: amounts falling due within one year	14	<u>(3,154,586)</u>	<u>(3,246,929)</u>
Net current assets		<u>8,756,403</u>	<u>7,106,752</u>
Total assets less current liabilities		49,196,771	48,675,628
Creditors: amounts falling due after more than one year	15	<u>(2,198,692)</u>	<u>(2,320,168)</u>
Total net assets	16	<u>46,998,079</u>	<u>46,355,460</u>
Endowment funds	17	3,034,981	3,108,742
Restricted funds	18	37,060,343	36,229,856
Unrestricted funds	19	<u>6,902,755</u>	<u>7,016,862</u>
Total funds		<u>46,998,079</u>	<u>46,355,460</u>
Hospital funds		33,843,963	34,740,850
School funds		10,275,219	8,607,844
Library funds		<u>2,878,897</u>	<u>3,006,766</u>
Total funds	16	<u>46,998,079</u>	<u>46,355,460</u>

The financial statements were approved and authorised for issue by the Feoffees on 25th June 2019 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 2018**

	<i>Cash flow statement notes</i>	<i>2018 £</i>	<i>2017 £</i>
<i>Net cash inflow from operations</i>			
<i>Net cash provided by operating activities</i>	1	2,267,162	407,598
<i>Cash flows from investing activities</i>			
Investment income		140,990	139,258
Bank loan and interest payable		(158,831)	(168,529)
Payments to purchase buildings and other fixed assets		-	(571,375)
Payments to acquire investments, including cash awaiting investment		(156,406)	(69,090)
Receipts from sales of fixed asset investments		124,871	57,971
Decrease/(increase) in cash held by investment advisors		38,153	16,842
<i>Net cash used in investing activities</i>		<u>(11,223)</u>	<u>(594,923)</u>
<i>Cash flow from financing activities</i>			
Bank loan repayments		<u>(114,141)</u>	<u>(106,687)</u>
<i>Net cash used in financing activities</i>		<u>(114,141)</u>	<u>(106,687)</u>
<i>Change in cash and cash equivalents in the reporting period</i>		2,141,798	(294,012)
<i>Cash and cash equivalent at the beginning of the period</i>		<u>8,014,020</u>	<u>8,308,032</u>
<i>Cash and cash equivalent at the end of the period</i>	2	<u>10,155,818</u>	<u>8,014,020</u>

**The Hospital and Library in Manchester funded by Humphrey Chetham Esq
and incorporated by King Charles II
NOTES TO THE CASH FLOW STATEMENT
For the year ended 31 August 2018**

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

	<i>2018</i>	<i>2017</i>
	£	£
Net incoming resources	716,240	1,474,179
Donated heritage assets	-	(85,000)
Depreciation	1,048,269	867,525
Investment income	(140,990)	(139,258)
Bank and loan interest payable	158,831	168,529
Decrease/(increase) in debtors	584,490	(1,460,135)
Decrease in creditors	(99,678)	(418,242)
Net cash inflow from operating activities	<u>2,267,162</u>	<u>407,598</u>

2. Analysis of cash and cash equivalent

	<i>2018</i>	<i>2017</i>
	£	£
Cash at bank and in hand	3,638,563	2,499,891
Cash on deposit	6,517,255	5,514,129
	<u>10,155,818</u>	<u>8,014,020</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 2018**

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 £6,819,183 was receivable (2017 - £6,738,397). 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 2018**

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 2018**

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 2018**

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
and incorporated by King Charles II
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 August 2018**

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

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

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

**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 2018**

2. Fees receivable

	<i>2018</i> £	<i>2017</i> £
Gross fees receivable	9,036,197	8,867,595
Less: total bursaries, grants and allowances	(181,448)	(162,612)
	<hr/>	<hr/>
	8,854,749	8,704,983
Scholarships and bursaries financed from restricted and endowment funds	48,397	72,066
	<hr/>	<hr/>
	<u>8,903,146</u>	<u>8,777,049</u>
The total educational awards financed from restricted funds comprise:		
	<i>2018</i> £	<i>2017</i> £
Scholarships and bursaries	48,397	72,066
Grants, awards and prizes	4,907	7,630
	<hr/>	<hr/>
	<u>53,304</u>	<u>79,696</u>

3. Other trading activities

	<i>2018</i> £	<i>2017</i> £
Trading income, summer schools and facility hire	<u>447,325</u>	<u>268,724</u>

Trading income includes £123,643 (2017: £121,219) in relation to Chetham's Hall Limited and £221,426 (2017: £48,501) in relation to Chetham's Trading Limited.

**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 2018**

4. Investment income

	<i>2018</i> £	<i>2017</i> £
Income from UK listed investments (gross)	129,026	131,658
Interest on funds deposited on bank reserve accounts	11,964	7,600
	<u>140,990</u>	<u>139,258</u>

5. Bequests and donations

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

The estate of the late Michael Bateson, the Beaverbrooks Charitable Trust, Bluefin Insurance Services Ltd, The Crispa Charitable Trust, the Albert & Eugenie Frost Music Trust, Mr D Gaskill, Mr & Mrs Hale, the Haworth Charitable Trust, the estate of the late Ethel Kerry, the estate of the late Ann Richardson, Mr H Ross, the estate of the late Hazel Smith, Mrs A Stewart, the Stoller Charitable Trust and the Zochonis Charitable Trust.

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

6. Other income

	<i>2018</i> £	<i>2017</i> £
Charitable activities		
Concert income	22,155	27,421
Piano Summer School	359,841	314,800
Sundry income	48,674	30,541
	<u>430,670</u>	<u>372,762</u>

7. Expenditure

	<i>2018</i> £	<i>2017</i> £
Charitable expenditure includes:		
Depreciation of fixed assets	1,048,269	867,525
Auditors' remuneration: audit services	16,288	18,274
Operating lease costs	<u>28,838</u>	<u>25,253</u>

The above excludes rent of £627,000 (2017 - £627,000) paid by Chetham's School of Music to Chetham's Hospital which is eliminated by way of transfers between funds (note 10).

**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 2018**

8. Employment costs

	<i>2018</i>	<i>2017</i>
	£	£
Wages and salaries	5,500,179	5,308,247
Social security costs	450,858	430,291
Pension contributions	612,794	601,844
	<u>6,563,831</u>	<u>6,340,382</u>

The average monthly number of employees in the year was 340 (2017 - 313) of which 184 (2017– 174) were teaching staff.

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

The total employment benefits of the key management personnel were £463,841 (2017: £451,775).

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, other than one member of the Library Committee who claimed travel expenses of £68 during the previous year.

During the year the School paid £27,000 (2017 - £10,000) to one (2017 – one) employee and the Hospital paid £nil (2017 - £10,685) to none (2017 – one) employee under confidential settlement agreements.

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

	<i>2018</i>	<i>2017</i>
	No.	No.
£70,001 to £80,000	1	-
£80,001 to £90,000	-	-
£90,001 to £100,000	2	2
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	1	1

Contributions paid in the year for the provision of money purchase pension schemes for higher paid employees were £13,028 (2017 - £12,236). There is 1 (2017 – 1) higher paid employee to whom retirement benefits are accruing under money purchase schemes and 2 (2017 – 2) higher paid employees in defined benefit schemes.

**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 2018**

9. Analysis of total resources expended

	<i>Staff costs</i>	<i>Other costs</i>	<i>Depreciation</i>	<i>Total 2018</i>	<i>Total 2017</i>
	£	£	£	£	£
<i>Cost of generating funds</i>					
Fundraising	71,108	96,566	-	167,674	123,514
Publicity	75,122	21,477	-	96,599	99,144
Conference and facility hire	48,543	277,373	-	325,916	152,873
Financing costs	-	158,831	-	158,831	168,529
Investment management costs	-	7,618	-	7,618	7,765
	<u>194,773</u>	<u>561,865</u>	<u>-</u>	<u>756,638</u>	<u>551,825</u>
<i>Charitable activities</i>					
Teaching costs – academic	1,690,147	232,116	-	1,922,263	1,840,149
Teaching costs - music	3,069,606	560,602	-	3,630,208	3,548,657
Welfare	539,878	833,323	-	1,373,201	1,273,518
Premises	836,123	1,227,589	1,048,269	3,111,981	2,898,245
Scholarships & bursaries	-	48,397	-	48,397	72,066
Grants, awards & prizes	-	6,966	-	6,966	10,680
Library costs	184,951	86,447	-	271,398	255,045
	<u>6,320,705</u>	<u>2,995,440</u>	<u>1,048,269</u>	<u>10,364,414</u>	<u>9,898,360</u>
Governance costs	48,353	42,701	-	91,054	97,817
	<u>6,563,831</u>	<u>3,600,006</u>	<u>1,048,269</u>	<u>11,212,106</u>	<u>10,548,002</u>

Conference and facility hire includes £113,188 (2017: £96,971) in relation to Chetham's Hall Limited and £154,037 (2017: £28,763) in relation to Chetham's Trading Limited.

**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 2018**

9. Analysis of total resources expended (continued)

Total resources expended includes £820,423 (2017 - £826,147) 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 2018</i>	<i>Total 2017</i>
Support Costs	£	£	£	£	£
Management	-	111,324	159,906	271,230	272,544
Administration	-	231,710	13,339	245,049	246,220
Recruitment	-	26,236	-	26,236	14,340
Office costs	1,214	59,290	12,661	73,165	62,267
IT	-	45,992	-	45,992	79,392
Legal and professional	-	94,187	-	94,187	90,200
Insurance	-	64,564	-	64,564	61,184
	1,214	633,303	185,906	820,423	826,147

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	(88,000)	-	-	-	(88,000)
New School Development Fund	(267,343)	-	267,343	-	-
Contribution from School for the Nicholls Building Conversion Fund	-	-	50,000	-	50,000
Palatine Demolition Project	(50,000)	50,000	-	-	-
	221,657	50,000	317,343	-	589,000
School					
Rent paid to Hospital	(627,000)	-	-	-	(627,000)
Contribution from School for Nicholls Building Conversion Fund	(50,000)	-	-	-	(50,000)
Transfer from David Hartigan Fund for tours	-	1,127	(1,127)	-	-
Transfer for Millgate Building Refurbishment Fund	(250,000)	250,000	-	-	-
Transfer for Chiller Unit	(6,000)	6,000	-	-	-
Contribution from the Piano Summer School Fund to School costs	78,497	-	(78,497)	-	-
	(854,503)	257,127	(79,624)	-	(677,000)

**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 2018**

10. Transfers between funds (continued)

Library	<i>Unrestricted Funds</i>		<i>Restricted Funds</i>	<i>Endowment Funds</i>	<i>Total Funds</i>
	<i>General</i>	<i>Designated</i>			
	£	£	£	£	£
Contribution from Hospital	88,000	-	-	-	88,000
Transfer from Library Patrons Fund	4,118	-	(4,118)	-	-
	92,118	-	(4,118)	-	88,000
TOTAL	(540,728)	307,127	233,601	-	-

**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 2018**

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 2017	115,000	43,449,654	405,963	167,549	44,138,166
Additions	-	-	-	-	-
At 31 August 2018	115,000	43,449,654	405,963	167,549	44,138,166
Depreciation:					
At 1 September 2017	-	6,664,992	129,053	87,010	6,881,055
Charge for the year	-	951,798	63,341	33,130	1,048,269
At 31 August 2018	-	7,616,790	192,394	120,140	7,929,324
Net book value:					
At 31 August 2018	115,000	35,832,864	213,569	47,409	36,208,842
At 1 September 2017	115,000	36,784,662	276,910	80,539	37,257,111

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

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

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

Five year financial summary of Heritage Asset transactions:

	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
	£	£	£	£	£
Additions:					
Donations	-	85,000	-	-	15,000
Total	-	85,000	-	-	15,000

**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 2018**

12. Investments

	<i>Restricted Funds £</i>	<i>Unrestricted Funds £</i>	<i>Endowment Funds £</i>	<i>Total £</i>
Balance at 1 September 2017	968,483	42,018	3,301,264	4,311,765
Additions	30,716	-	125,690	156,406
Disposals	(26,890)	-	(92,640)	(119,530)
Revaluation gains	(3,735)	(1,360)	(73,867)	(78,962)
Change in amounts awaiting investment	(5,528)	(26)	(32,599)	(38,153)
Balance at 31 August 2018	<u>963,046</u>	<u>40,632</u>	<u>3,227,848</u>	<u>4,231,526</u>
Historical cost of listed investments	<u>831,732</u>	<u>42,483</u>	<u>2,901,364</u>	<u>3,775,579</u>
Listed on UK stock exchange	966,714	40,593	3,259,789	4,267,096
Cash holding	(3,668)	39	(31,941)	(35,570)
	<u>963,046</u>	<u>40,632</u>	<u>3,227,848</u>	<u>4,231,526</u>

All investments are held to provide an investment return.

The following investments have a market value at 31 August 2018 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	2,423,046
COIF Accumulation Units	2,550	423,867
Mayfair Capital in Property Income Trust for Charities	466,604	418,568
Castlefield Managed Multi Asset Fund	<u>97,599</u>	<u>233,027</u>

13. Debtors (excluding fees)

	<i>2018 £</i>	<i>2017 £</i>
Other debtors	69,041	142,708
Prepayments	103,258	198,057
Accrued income	<u>1,236,741</u>	<u>1,603,282</u>
	<u>1,409,040</u>	<u>1,944,047</u>

No bad debts were written off during the year (2017: £14) and a further £12,701 increase was made in the provision (2017: increase of £7,221).

**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 2018**

14. Creditors: amounts falling due within one year

	<i>2018</i>	<i>2017</i>
	£	£
Bank loans (note 15)	118,804	111,469
Other creditors and accruals	1,135,782	1,235,460
Fees received in advance from DfE	<u>1,900,000</u>	<u>1,900,000</u>
	<u>3,154,586</u>	<u>3,246,929</u>

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

	<i>2018</i>	<i>2017</i>
	£	£
Bank loans	<u>2,198,692</u>	<u>2,320,168</u>
	<u>2,198,692</u>	<u>2,320,168</u>

The total bank loans outstanding at 31 August 2018 amounted to £2,317,496 (2017 - £2,431,637). Of this amount £118,804 (2017 - £111,469) 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.

**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 2018**

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	2,057,891	2,470	4,844	-	2,065,205
Restricted	33,932,109	376,011	(898,948)	(2,198,692)	31,210,480
Endowment	-	568,515	(237)	-	568,278
	<u>35,990,000</u>	<u>946,996</u>	<u>(894,341)</u>	<u>(2,198,692)</u>	<u>33,843,963</u>
School					
Unrestricted	60,767	38,162	4,419,995	-	4,518,924
Restricted	43,075	558,857	5,154,363	-	5,756,295
	<u>103,842</u>	<u>597,019</u>	<u>9,574,358</u>	<u>-</u>	<u>10,275,219</u>
Library					
Unrestricted	115,000	-	203,626	-	318,626
Restricted	-	28,178	65,390	-	93,568
Endowment	-	2,659,333	(192,630)	-	2,466,703
	<u>115,000</u>	<u>2,687,511</u>	<u>76,386</u>	<u>-</u>	<u>2,878,897</u>
Total					
Unrestricted	2,233,658	40,632	4,628,465	-	6,902,755
Restricted	33,975,184	963,046	4,320,805	(2,198,692)	37,060,343
Endowment	-	3,227,848	(192,867)	-	3,034,981
	<u>36,208,842</u>	<u>4,231,526</u>	<u>8,756,403</u>	<u>(2,198,692)</u>	<u>46,998,079</u>

17. Endowment funds

	<i>Balance at 1 September 2017</i>	<i>Incoming Resources</i>	<i>Resources expended</i>	<i>Investment gains/(losses)</i>	<i>Transfers between funds</i>	<i>Balance at 31 August 2018</i>
	£	£	£	£	£	£
Hospital						
Investment Replacement	380,046	-	-	41,345	-	421,391
Sinking Funds						
EF Jacob Endowment Fund	152,761	-	-	(5,874)	-	146,887
	<u>532,807</u>	<u>-</u>	<u>-</u>	<u>35,471</u>	<u>-</u>	<u>568,278</u>
Library						
Grants from Heritage Lottery Fund	2,575,935	-	-	(109,232)	-	2,466,703
Total	<u>3,108,742</u>	<u>-</u>	<u>-</u>	<u>(73,761)</u>	<u>-</u>	<u>3,034,981</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 2018**

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.

**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 2018**

18. Restricted funds

	<i>Balance at 1 September 2017</i>	<i>Incoming resources</i>	<i>Resources expended</i>	<i>Transfers between funds</i>	<i>Investments gains/(losses)</i>	<i>Balance at 31 August 2018</i>
	£	£	£	£	£	£
Hospital						
Capital Fund - Millgate Extension	1,094,192	-	(39,668)	-	-	1,054,524
Capital Fund - New Land	4,500,000	-	-	-	-	4,500,000
Capital Fund - New School Building	20,697,353	-	(626,022)	-	-	20,071,331
Capital Fund - Nicholls Conversion	676,375	-	(22,298)	-	-	654,077
Capital Fund - Concert Hall	7,852,336	-	(200,158)	-	-	7,652,178
Improvements Fund	20,039	1,721	-	-	(3,167)	18,593
New School Development Fund	(2,735,966)	44,007	(154,519)	267,343	-	(2,579,135)
Nicholls Building Conversion Fund	(163,821)	-	-	50,000	-	(113,821)
Concert Hall Fund	(241,296)	-	(31,804)	-	-	(273,100)
Instrument Fund	176,127	6,218	(1,000)	-	(5,392)	175,953
Nicholls Fund	79,187	5,259	(27,605)	-	(7,255)	49,586
Miscellaneous Fund	355	20	(81)	-	-	294
	31,954,881	57,225	(1,103,155)	317,343	(15,814)	31,210,480
School						
Vernon Farley Fund	14,514	171	(50)	-	(315)	14,320
Hazel Smith Fund	12,938	100,135	-	-	(248)	112,825
Ida Carroll Fund	6,231	-	(2,000)	-	-	4,231
Hospital Prize Fund	82,051	205	(185)	-	(399)	81,672
Kolbert Music Prize Fund	2,500	51	(50)	-	(93)	2,408
Academic Prizes Fund	300	20	(20)	-	-	300
Music Prizes Fund	-	300	(300)	-	-	-
Competition Fund	232	-	-	-	-	232
David Hartigan Memorial Piano Fund	5,622	81	(1,000)	(1,127)	(149)	3,427
Neil Vint Bursary Fund	32,928	1,274	-	-	(1,671)	32,531
Milne Fund	171,926	16	(40,616)	-	29,786	161,112
Bursary Fund	1,455,469	45,008	(16,320)	-	(12,895)	1,471,262
Bateson Family Bursary Fund	-	1,163,353	-	-	-	1,163,353
Hospitallers Camp Fund	17,668	313	(302)	-	(575)	17,104
Mellor Endowment Fund	5,149	21	-	-	(65)	5,105
Amy Watson Endowment Fund	23,970	53	-	-	(88)	23,935
John Shaw Bursary Fund	50,000	-	-	-	-	50,000
Stoller Bursary Fund	1,339	22,370	(21,574)	-	-	2,135
Ethel Kerry Bursary Fund	1,500,000	406,868	(10,503)	-	-	1,896,365
Hardship Fund	-	12,500	-	-	-	12,500
Co-op Fund	1,665	-	-	-	-	1,665
Miscellaneous Restricted Fund	94,361	11,034	(658)	-	-	104,737
Instrument Fund	7,257	-	(6,745)	-	-	512
Friends of Chetham's Fund	19,733	7,136	(43)	-	-	26,826
Chets in London Fund	6,087	-	(1,505)	-	-	4,582
Stoller Hall Fund	154	4,036	-	-	-	4,190
50 th Anniversary Fund	-	7,500	-	-	-	7,500
Capital Fund - Instruments	71,872	-	(28,796)	-	-	43,076
Piano Summer School Fund	254,032	360,341	(279,044)	(78,497)	-	256,832
Grants and Other Income Fund	306,323	87,189	(141,954)	-	-	251,558
	4,144,321	2,229,975	(551,665)	(79,624)	13,288	5,756,295

**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 2018**

18. Restricted funds (continued)

Library	<i>Balance at 1 September 2017</i>	<i>Incoming resources</i>	<i>Resources expended</i>	<i>Transfers Between funds</i>	<i>Investments gains/(losses)</i>	<i>Balance at 31 August 2018</i>
	£	£	£	£	£	£
Burney Fund	5,703	1,157	(5,743)	-	(1,117)	-
J Paul Getty Fund	14,589	-	(8,330)	-	-	6,259
Miscellaneous Restricted Fund	294	1,412	-	-	-	1,706
Library Patrons Fund	47	4,071	-	(4,118)	-	-
Karl Marx Fund	1,362	(950)	-	-	-	412
Hulme Trust Fund	-	9,153	(9,153)	-	-	-
Arts Council Fund	4,979	18,690	(22,208)	-	-	1,461
Karl Marx Recording Project Fund	800	-	-	-	-	800
Arts and Heritage Fund	8,000	12	(7,982)	-	-	30
Booth Charities Fund	29,880	6,960	(23,940)	-	-	12,900
AIM Fund	-	4,950	(4,950)	-	-	-
Hills Archive Fund	-	5,000	-	-	-	5,000
HLF Project Fund	65,000	-	-	-	-	65,000
	130,654	50,455	(82,306)	(4,118)	(1,117)	93,568
Total	36,229,856	2,337,655	(1,737,126)	233,601	(3,643)	37,060,343

**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 2018**

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 2018 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 2018 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 2018 as expenditure has been incurred in advance of expected income being received.

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.

Miscellaneous Restricted Fund

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

**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 2018**

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 or bursary 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.

Bateson Family Bursary Fund

A fund established for the estate of the late Michael Bateson to provide bursaries for students at the School who are in financial need.

Hospitallers "Camp" Fund

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

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.

Hardship Fund

A fund established to provide support to students at the School who are in financial need.

Co-op Fund

A fund established to help the School.

**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 2018**

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.

50th Anniversary Fund

A fund established to support the work of the School in a variety of ways.

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. This fund is now fully expended.

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.

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.

**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 2018**

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.

AIM Fund

This is a fund established by a grant from the Association of Independent Museums to pay for a strategic review of governance, management and future plans of the Library. This fund is now fully expended.

Hills Archive Fund

This is a fund established to meet the expenses of cataloguing the Hills Archive Collection.

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 2017 £	Incoming resources £	Resources expended £	Transfers between funds £	Investment gains/ (losses) £	Balance at 31 August 2018 £
Hospital						
General Fund	2,625,469	130,023	(441,186)	221,657	242	2,536,205
Designated funds:						
Palatine Demolition Fund	(372,307)	-	(148,693)	50,000	-	(471,000)
	<u>2,253,162</u>	<u>130,023</u>	<u>(589,879)</u>	<u>271,657</u>	<u>242</u>	<u>2,065,205</u>
School						
General Fund	4,448,590	9,330,607	(8,623,171)	(854,503)	(1,602)	4,299,921
Designated funds:						
Tours Fund	21	13,130	(14,268)	1,127	-	10
New School Move Fund	8,780	-	(8,759)	-	-	21
Noise at Work Fund	132	-	(132)	-	-	-
Chiller Unit Fund	6,000	-	-	6,000	-	12,000
Millgate Building Refurbishment Fund	-	-	(43,028)	250,000	-	206,972
	<u>4,463,523</u>	<u>9,343,737</u>	<u>(8,689,358)</u>	<u>(597,376)</u>	<u>(1,602)</u>	<u>4,518,924</u>
Library						
General Fund	304,547	114,051	(195,743)	92,118	5,143	320,116
Designated funds:						
Library Guides Fund	(4,370)	2,880	-	-	-	(1,490)
	<u>300,177</u>	<u>116,931</u>	<u>(195,743)</u>	<u>92,118</u>	<u>5,143</u>	<u>318,626</u>
	<u>7,016,862</u>	<u>9,590,691</u>	<u>(9,474,980)</u>	<u>(233,601)</u>	<u>3,783</u>	<u>6,902,755</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 2018**

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. This fund is now fully expended.

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.

Millgate Building Refurbishment Fund

A fund established for the refurbishment of the boys' boarding accommodation.

Library

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 £514,127 (2017: £498,860).

The TPS is an unfunded multi-employer defined benefits pension scheme governed by The Teachers' Pensions Regulations 2010 (as amended) and The Teachers' Pension Scheme Regulations 2014 (as amended). 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.

The employer contribution rate is set by the Secretary of State following scheme valuations undertaken by the Government Actuary's Department. The most recent 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 currently 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 completion and outcome of the next actuarial valuation which is being prepared as at 31 March 2016. Her Majesty's Treasury published draft Directions for the TPS on 6 September 2018 to allow the Department for Education to finalise this valuation. Early indications from the valuation are that the amount employers will be required to pay towards the scheme may increase substantially from September 2019.

There are also indications that the protections in the new cost cap mechanism required by the Public Service Pensions Act 2013 mean public sector workers will get improved pension benefits for employment over the period April 2019 to March 2023.

**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 2018**

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 2016 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 3.2%.

The pension contributions made by Chetham's School of Music and Chetham's Library to the Scheme for the year ended 31 August 2018 were £11,775 (2017 - £15,817). 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 £86,892 (2017 - £87,167).

21. Operating lease commitments

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

	<i>Equipment</i>	
	<i>2018</i>	<i>2017</i>
	£	£
Within one year	28,838	28,838
Between two and five years	68,341	92,278
After five years	-	4,902
	<u>97,179</u>	<u>126,018</u>

22. Capital commitments

	<i>2018</i>	<i>2017</i>
	£	£
Contracted for, but not provided in the financial statements	<u>-</u>	<u>52,084</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 2018**

23. Financial Instruments

	2018	2017
	£000	£000
Financial assets measured at amortised cost (a)	11,808	10,156
Financial assets measured at fair value (b)	4,208	4,312
Financial liabilities measured at amortised cost (c)	(5,292)	(5,496)
	<hr/>	<hr/>
Net financial assets measured at amortised cost	10,724	8,972
	<hr/>	<hr/>

(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 (2017: £nil).

24. Related party transactions

There are no related party transactions that need to be disclosed in the financial statements.

**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 2018**

25. Statement of financial activities – comparative figures by fund

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