

**MIDLAND GROUP TRAINING
SERVICES LIMITED**

REPORT AND FINANCIAL STATEMENTS

31 March 2021

**Company No 984899
Registered Charity No 528785**

MIDLAND GROUP TRAINING SERVICES LIMITED
TRUSTEES' REPORT
31 March 2021

OBJECTIVES AND ACTIVITIES

MGTS an Educational Charity – Employer Led and Membership Based

Our Aim

To be a national centre of excellence for education, training and development and assessment supporting both young people and adults in the development of engineering competences associated with engineering.

To achieve improved customer business performance by delivering cost effective employee technical and people development solutions to machinery reliant industries.

Charity Aims

- To support young people wishing to access the engineering industry
- To support adult employees and learners to develop themselves, engineering functions and systems to improve business performance
- To contribute to the development of specialist engineering competences within the National workforce to encourage economic development
- The main activities of the Charity have continued to be the provision of Apprenticeships, Training Needs Analysis and Administration, Training and Development courses and events

To achieve this, the Charity:

- Consults with members and employers to achieve a clear understanding of industry needs and provide effective solutions
- Consults with Government and Agencies to ensure that MGTS strategy supports industry related people development policies
- Consults with Local Enterprise Partnerships [LEPs], Local Authority and Schools to develop collaborative solutions to support young people's development, understanding and entry into industry

Our Values

1. MGTS aims to provide our customers with training and assessment activities that are relevant to the individual, their organisation and its industry sector.
2. We believe that training and assessment activity undertaken should be clear and concise in its design and delivery.
3. That the delivery of any training and assessment activities are undertaken in a way and at a time which fully meets and supports the requirements of our customers, whatever those requirements may be.
4. MGTS will endeavour to take the lead in a professional manner, applying wisdom and knowledge whilst being supporting and encouraging.

Our Commitment

MGTS commit to provide our customers with access to competent staff, learning opportunities, comprehensive equipment and technology and rapid response to meet their training and assessment requirements.

We will achieve this through the application in all instances of our core values by consistently maintaining a high level of knowledge and understanding of the markets and environments within which our customers operate.

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Public Benefit

We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular the trustees consider how planned activities will contribute to the aims and objectives they have set.

Our Strategic Objectives

1. Annually increase the number of customers strategically investing in people development; achieving local, regional and national growth.
2. Develop and deliver products and services offering progression through education, training and development and assessment; unlocking potential and delivering improved customer business performance.
3. Continually improve quality of content, quality of delivery and quality of learning management.
4. Work in partnership with customers and stakeholders to provide solutions to their requirements and the greater community, locally, regionally and nationally.
5. Utilise the charity's resources responsibly in pursuit of the strategic objectives.

CHALLENGES, ACHIEVEMENTS AND PERFORMANCE

The emergence of the COVID-19 pandemic just prior to this last fiscal year and the impact that it had on the business was not a unique situation to MGTS. The severity of its growth and spread and the subsequent effects on the business throughout the first quarter (April, May and June) provided the most significant challenge in recent history. The focus of attention shifted to survival through the unfolding pandemic, with budgetary realignment based on forecasted income and a raft of cost control measures developed and instigated by the end of that same period.

The ability to adapt at pace to a fully on-line learning platform was key to the continuation of apprenticeship learning following the suspension of all face to face apprentice training and commercial course delivery. The move to remote learning secured continued ESFA funding whilst also allowing training staff to both, continue to work and also support the Government drive to work from home.

The adoption of the Moodle platform and its roll out across the business has accelerated and been embraced with a positive attitude. All Further Education and Higher National Certificate teaching has been developed to sit on this platform and is a significant achievement for the organisation. Whilst the immediate effect of the platform was key to continued learning through the height of the pandemic its impact and benefit will be there over the longer term as there will be a legacy effect of the pandemic in terms of a more blended approach to learning.

Continuing dialogue with all stakeholders was incredibly important, ensuring that we kept apprentice learners engaged and progressing, commercial clients informed and employees' well-being and motivation at the highest possible level under the circumstances.

One of the significant challenges to the organisation throughout the last 12 months has been the impact on people's mental health generally. In light of this we have undertaken multiple sessions of the level 2 Mental Health Awareness Training for those in the business who wished to participate. The actual uptake from across the business was around 60%. This is a significant achievement not just in terms of the actual participation rate but more importantly in the awareness and support that this provides for our employees. A smaller group inclusive of the management team will undertake the level 3 Supervising Mental Health Training, with MGTS ultimately developing its own policy document on the subject matter.

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In November 2020 MGTS commenced with the periodic ESFA finance audit. Compared to the previous finance audit in 2015, this most recent iteration has included more learners and been more challenging in terms of the sample size of apprentice data and the increase in contractual documentation requirements. Taking some three months from start to completion the outcome for the business was extremely good with our data records proving to be highly accurate. This is down to the quality of inputting and the level of data scrutiny that is undertaken by the accounts team that use various ESFA reports.

The Defined Benefit Pension Fund which was closed to new contributions on the 31st August 2010 was put through its triennial review on 31 March 2020, during a period of extreme market volatility due to the pandemic and returned a pension valuation deficit of £60M, up from the 2017 actuarial valuation of a £29M deficit. Pensions Regulator guidance to Trustees enabled them to take into account post valuation experience, resulting in recalculations at 31st August 2020 indicating a deficit of £47M - an improvement of some £13M. During this same period the Trustee undertook a review of the deficit split by employer. The outcome of this has indicated a significant increase in the MGTS percentage split from an historical 4.4% to 8.3%. In absolute terms this is an increase from £2.1M of the £47M deficit to £3.9M. We have worked closely and constructively with the Trustees of the scheme to agree a long-term recovery plan which meets pension regulatory approval while being affordable and sustainable for MGTS. Since then, the funding position of the scheme has materially improved. Further details are provided in note 12 on page 23.

Financial review

The COVID-19 pandemic has proved to be a significant financial challenge to MGTS. The number of apprentice starts fell by almost 50% as compared to 2019 which will have a detrimental financial impact over the four year duration of their training.

The financial year result was an unrestricted surplus of £92,893 (2019 £62,430 deficit), which exceeded expectations. However, the growing deficit in the defined benefit pension scheme combined with increased clarity on the Company's likely liability has resulted in the decision to recognise the net present value of its share of the pension deficit from this financial year forward. This £3.65M adjustment resulted in an overall deficit for the financial year of £3.55M (2019 £140k).

Income

Total unrestricted income of £3.7M was generated in 2020-2021, a decrease of 9% on last year. Apprentice training continued using a combination of distance and face to face teaching enabling continued funding, but commercial training was severely curtailed during lockdown periods.

Expenditure

Unrestricted expenditure in 2020-2021 fell to £3.6M, a reduction of 15% on last year. The lockdowns imposed over the year have delayed a significant amount of expenditure which will impact on profitability in 2021-22.

Funds

Total funds at 31 March 2021 were £1.9M (2020 £5.5M) of which all but £435,761 were unrestricted.

Principal Risks and Uncertainties

The principal risk to the business is from the ongoing challenges of operating in a COVID-19 pandemic economy. Although we are seeing increased levels of apprenticeship uptake and a rising level of commercial course activity the ever present threat remains of further restrictions or lockdowns.

To drive up the quality of apprenticeship provision, the government strategy is to progressively introduce more stringent entry criteria for the Register of Approved Training Providers (RoATP). This will require all remaining, active providers of which MGTS is one to reapply to the register, taking into account a new set of application criteria from May 2021. This will be a phased reapplication approach throughout 2021 to 2022 and there will be a strong focus on subject-specific expertise for providers to evidence their capacity and expertise to meet the skills needs of apprentices and employers.

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Having gone through our last full OFSTED inspection in 2017 with a four year cycle of assessment it would be prudent to assume that 2021 would have been the likely timeframe for this to take place. The impact of COVID-19 has understandably disrupted the timings with 2022 looking more likely, however we maintain a continuing focus on our quality of apprenticeship delivery in anticipation of this critical assessment and grading.

Ever present are the risks and uncertainties from modifications to structure and funding of the apprenticeship education and training sector made by Government.

Policies

a) Reserves

During the financial year the Trustees re-evaluated the level of free reserves (that is those funds not tied up in fixed assets, designated and restricted funds) required to sustain its operations in the event that some incoming generating activities are curtailed temporarily whilst the charitable activities are continued. The trustees now consider that the most appropriate level of free reserves at 31 March 2021 would be 9 months of the group's budgeted expenditure i.e. £3.02M (previously 6 months). The actual free reserves at 31 March 2021 were £2.53M being £490k short of the target figure.

b) Investments

Under the Memorandum and Articles of Association, the charity has the power to invest in any way the trustees wish. The trustees have determined that the Charity investments should be in the form of interest bearing cash deposits with major banks or financial institutions and investment property. Interest rates should be competitive and free of risk to the capital.

MIDLAND GROUP TRAINING SERVICES LIMITED
TRUSTEES' REPORT
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STRUCTURE, GOVERNANCE AND MANAGEMENT

The Charity is a company, limited by guarantee, and has no share capital. It was incorporated on 17 July 1970. Its governing document is its Memorandum and Articles of Association, which were updated on 6th March 2019. The liability of each member in the event of winding up is limited to £20.

Charity number	528785
Company number	984899
Principal Office	Gulson Road, Coventry, CV1 2JG

The principal objects of the charitable company are: "To advance the theoretical and practical education and training of persons engaged or intending to be engaged in engineering general industrial and commercial activities"

To allow the charitable company to trade in activities complementary to its objects a subsidiary company 'MGTS Business and Training Services Limited' was incorporated on 22 September 2000. The Charity owns the 1,000 issued shares of £1 each. Taxable profits arising from the subsidiary are Gift Aided to the Charity.

Trustees/ Directors

The Trustees are elected by the Members of the Company and serve for five years before retiring. The Articles of the Company allow for unlimited Trustees/Directors. The Trustees may co-opt to fill casual vacancies arising during the year.

The following were Trustees during the whole of the year under review:-

Mr S Brown	Mrs T Reynolds
Mr K Kane	Mrs R Ritchie
Mr G F Lawton	Mr A Watson

The following resigned as Trustees during the year:-

Mr P Hone
Mr G Reynolds

The following were appointed as Trustees during the year:-

Mr D Montgomery

The Trustees of the Charity meet at least 4 times per year. They set budgets for the Charity and monitor its financial performance through detailed quarterly financial reports. Major decisions affecting the Charity's operations are taken by the Trustees.

The Chief Executive, David Bridgens is responsible for implementing the Trustees policies. He reports on a quarterly basis to the Trustees. Additional ad hoc Trustees meetings are called whenever it is felt necessary either by the Trustees or the Chief Executive.

MIDLAND GROUP TRAINING SERVICES LIMITED
TRUSTEES' REPORT
31 March 2021

Trustee induction and training

New trustees undergo a series of briefings to inform them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision making processes, the business plan and recent financial performance of the charity. During the induction they meet key employees and other trustees. Trustees are encouraged to attend appropriate training events where these will facilitate the understanding of their role.

Key Management Personnel

The following were key management personnel during the whole of the year under review:-

Chief Executive Officer	David Bridgens
Director of Delivery and Operations	Steve Palmer
Director of Finance and HR	Ruth Smith
Business Systems and Contracts Manager	Adrian Lawrence
Quality and Compliance Manager	Ruth Plane
Customer Engagement Manager	Adrian Simkiss

Arrangements for setting pay and remuneration

Trustees do not receive any form of remuneration and give their time freely.

The trustees review pay annually in October for all staff, including key personnel. Consideration is taken of the rate of inflation, and benchmark pay rates within the industry.

Risk management

We confirm that major risks have been reviewed and that systems and procedures have been established to manage those risks.

Government and Agencies

Additional apprenticeship funding incentives and the Government Kickstart Scheme were announced on the same day as part of the UK Chancellor's Plan for Jobs. For businesses reacting to the Coronavirus pandemic, these schemes offer financial support alongside the opportunity to create jobs for young people. The main difference between Kickstart and an apprenticeship is that Kickstart is a short-term scheme focused on general employability, while apprenticeships are longer term and centred on specialist technical skills.

Any employer who hires a new apprentice can claim funding as an incentive for creating training opportunities. These grants were expanded in the 2021 Budget and are now available until 30th September 2021.

Employers taking on a new apprentice can claim:

- £3000 for a new apprentice of any age
- An additional £1000 grant for hiring a 16-18 year old apprentice, or a 19-24 year old with an EHC plan

The Kickstart Scheme is a short-term wage subsidy fund for employers. It was designed to help create job placements for 16 to 24 year olds who are at risk of long term unemployment. The Kickstart Scheme funding covers 100% of the relevant National Minimum Wage, at 25 hours a week for a total of 6 months.

The Department for Education surrendered £250M to the Treasury during the last 12 months as demand for apprenticeships from employers was "lower than expected" partly due to the impact of Covid-19. Government statistics show that apprenticeship starts were down 18 per cent in the 2019/20 academic year compared to the previous year, falling from 393,400 to 322,600.

MIDLAND GROUP TRAINING SERVICES LIMITED
TRUSTEES' REPORT
31 March 2021

Small Companies Exemption

This report is prepared in accordance with special provisions of part 15 of the Companies Act 2006 relating to small companies.

The trustees who are the charitable company's directors are pleased to present their report together with the financial statements of the charitable company for the year ending 31 March 2021.

AUDITORS

A resolution will be put to the forthcoming AGM to reappoint Luckmans Duckett Parker Limited as Auditors for the year ending 31 March 2022.

Statement as to disclosure of information to auditors

The trustees who were in office on the date of approval of these financial statements have confirmed as far as they are aware, that there is no relevant audit information of which the auditors are unaware. The trustees have confirmed that they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

PROFESSIONAL ADVISORS

The Charity is provided with professional services on a commercial basis by:

Luckmans Duckett Parker Limited	-	Audit
Lloyds TSB Plc	-	Banking
Band Hatton Button Solicitors	-	Legal
Loveitts Estate Agents	-	Property
Jensten Group	-	Insurance

On behalf of the Board



G Lawton
Chairman

Gulson Road
Coventry
CV1 2JG
6-11 OCTOBER 2021

<p style="text-align: center;">MIDLAND GROUP TRAINING SERVICES LIMITED DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS 31 March 2021</p>
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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business;
- d. observe the methods and principles in the Charity SORP

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MIDLAND GROUP TRAINING SERVICES LIMITED
AUDITOR'S REPORT
Independent auditor's report to the members of Midland Group Training Services Limited

Opinion

We have audited the financial statements of Midland Group Training Services Ltd (the 'parent charitable company') and its subsidiaries (the group) for the year ended 31 March 2021 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 (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2020 and of the groups incoming resources and application of resources, including its income and expenditure, 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 Companies Act 2006.

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 Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company 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 parent charitable company'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 Report of the Independent Auditors 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, 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. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

MIDLAND GROUP TRAINING SERVICES LIMITED
AUDITOR'S REPORT
Independent auditor's report to the members of Midland Group Training Services Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees 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 trustees are responsible for assessing the group's and parent charitable company'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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

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 a Report of the Independent Auditors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting these irregularities, including fraud is detailed below:

In identifying and assessing the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- reference to past history and experience of entity
- enquiry of management, including obtaining and reviewing supporting documentation concerning the entity's procedures relating to:
- Identifying and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- Detection and response to risk of fraud and whether they were aware of any actual or suspected instances of fraud.
- Assessment of the controls and processes that the entity has in place to mitigate risk.

Our assessments included the identification of the following potential areas of fraud:

- Management override of control; and
- Revenue recognition – specifically the recognition according to timing of the provision of training services, and manipulation of revenue through management override of journals.

MIDLAND GROUP TRAINING SERVICES LIMITED
AUDITOR'S REPORT
Independent auditor's report to the members of Midland Group Training Services Limited

We design audit procedures by tailored and directed testing to aid and support the determined level of risk. In response to the assessed risk we plan audit tests and procedures that target specific areas where misstatement may occur. These procedures and the extent to which they are capable of detecting irregularities, including fraud, are detailed below:

- We critically assessed the appropriateness and tested the application of the revenue and cost recognition policies.
- We tested the appropriateness of accounting journals and other adjustments made in the preparation of the financial statements.
- We reviewed the entity's accounting policies for non-compliance with relevant standards.
- We made enquiries of management and reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations.

In performing an audit in accordance with UK GAAP, we exercise professional judgement and maintain professional scepticism throughout the audit process.


We also communicated relevant identified laws and regulations and potential fraud risks to all the engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion or override of internal controls. There are inherent limitations in the audit procedures performed.

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 Report of the Independent Auditors.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.


Mark Spafford FCCA ACA (Senior Statutory Auditor)
for and on behalf of Luckmans Duckett Parker Limited
Statutory Auditors
1110 Elliott Court
Herald Avenue
Coventry Business Park
Coventry
West Midlands
CV5 6UB

Date: 16th October 2021

MIDLAND GROUP TRAINING SERVICES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2021

	Note	Unrestricted funds £	Restricted funds £	Total 2021 £	Total 2020 £
Income:					
<i>Income from donations and legacies:</i>					
Coronavirus Job Retention Scheme income	1	138,763	-	138,763	-
<i>Income from Charitable activities:</i>					
Subscriptions, training, projects, course fees and extra services	4	2,966,283	65,600	3,031,883	3,159,118
<i>Income from other trading activities:</i>					
Commercial trading operations	9	613,095	-	613,095	1,122,329
Investment income	3	12,395	-	12,395	11,721
		<hr/>	<hr/>	<hr/>	<hr/>
Total incoming resources		3,730,536	65,600	3,796,136	4,293,168
		<hr/>	<hr/>	<hr/>	<hr/>
Expenditure:					
<i>Costs of raising funds:</i>					
Investment management costs		-	-	-	-
Commercial trading operations	9	501,391	-	501,391	891,316
<i>Expenditure on charitable activities</i>	5	3,136,252	119,684	3,255,936	3,541,936
		<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure		3,637,643	119,684	3,757,327	4,433,252
		<hr/>	<hr/>	<hr/>	<hr/>
Net (loss)/income before other recognised gains	6	92,893	(54,084)	38,809	(140,084)
Other recognised losses					
Change in fair value of pension scheme liability	12	(3,646,183)	-	(3,646,183)	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds for the year		(3,553,290)	(54,084)	(3,607,374)	(140,084)
Fund balance brought forward at 1 April 2020		5,021,829	489,345	5,511,174	5,651,258
		<hr/>	<hr/>	<hr/>	<hr/>
Fund balance carried forward at 31 March 2021		1,468,539	435,261	1,903,800	5,511,174
		<hr/>	<hr/>	<hr/>	<hr/>

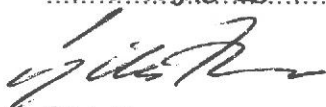
The statement of financial activities includes all gains and losses recognised in the year and in the previous year.
All the company's activities are classed as continuing.

MIDLAND GROUP TRAINING SERVICES LIMITED
BALANCE SHEETS
at 31 March 2021
Company No 984899

		Group		Charity	
	Note	2021 £	2020 £	2021 £	2020 £
Fixed assets					
Tangible fixed assets	8	2,991,551	3,254,419	2,991,551	3,254,419
Investment in subsidiary undertaking	9	-	-	1,000	1,000
		<u>2,991,551</u>	<u>3,254,419</u>	<u>2,992,551</u>	<u>3,255,419</u>
Current assets					
Debtors	10	548,670	593,082	382,340	447,059
Short term deposits		3,076,780	2,749,126	3,076,780	2,749,126
Bank balance and cash		115,718	127,214	51,447	72,284
		<u>3,741,168</u>	<u>3,469,422</u>	<u>3,510,567</u>	<u>3,268,469</u>
Creditors - amounts falling due within one year	11	(1,940,436)	(1,212,667)	(1,064,839)	(1,240,127)
Net current assets		<u>1,800,732</u>	<u>2,256,755</u>	<u>2,445,728</u>	<u>2,028,342</u>
Creditors - amounts falling due after more than one year	11	(2,888,483)	-	(2,888,483)	-
Net assets		<u>1,903,800</u>	<u>5,511,174</u>	<u>1,792,096</u>	<u>5,283,761</u>
Funds:					
Restricted funds	13	435,261	489,345	435,261	489,345
Unrestricted funds	13	1,356,835	4,794,416	1,356,835	4,794,416
Non-charitable trading funds	13	111,704	227,413	-	-
		<u>1,903,800</u>	<u>5,511,174</u>	<u>1,792,096</u>	<u>5,283,761</u>

The financial statements have been prepared in accordance with special provisions of part 15 of the Companies Act 2006 relating to small charitable companies.

The financial statements on pages 12 to 26 were approved by the Board of Directors and authorised for issue on 6th October 2021, and were signed on its behalf by:



G Lawton
Chairman

MIDLAND GROUP TRAINING SERVICES LIMITED
CASH FLOW STATEMENT
for the year ended 31 March 2021

		Group	
	Note	2021 £	2020 £
Cash flows from operating activities:			
Cash generated from operations	1	332,370	113,450
		<hr/>	<hr/>
Net cash provided by (used in) operating activities		332,370	113,450
		<hr/>	<hr/>
Cash flows from investing activities:			
Purchase of tangible fixed assets		(49,523)	(898,089)
Sale of tangible fixed assets		20,916	9,500
Interest received		12,395	11,721
		<hr/>	<hr/>
Net cash provided by (used in) investing activities		(16,212)	(876,868)
		<hr/>	<hr/>
Change in cash and cash equivalents in the reporting period		316,158	(763,418)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the reporting period		2,876,340	3,639,758
		<hr/>	<hr/>
Cash and cash equivalents at the end of the reporting period		3,192,498	2,876,340
		<hr/>	<hr/>

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 March 2021

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

	2021	2020
	£	£
Net income for the reporting period (as per the statement of financial activities)	(3,607,374)	(140,084)
Adjustments for:		
Depreciation charges	299,817	374,717
Profit on disposal of fixed assets	(6,668)	(6,315)
Change in fair value of pension scheme liability	3,646,183	-
Interest received	(12,395)	(11,721)
(Increase)/decrease in debtors	44,412	12,598
Increase/(decrease) in creditors	(31,605)	(115,745)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	332,370	113,450
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MIDLAND GROUP TRAINING SERVICES LIMITED
ACCOUNTING POLICIES
31 March 2021

1 Accounting Policies

Basis of preparation

The financial statements of the charitable company, which is a public benefit entity under FRS102, have been prepared in accordance with the Charities SORP (FRS102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard in the UK and Republic of Ireland (FRS102)(effective 1 January 2019)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value.

Accounting changes

The significant accounting policies adopted are described below.

Significant judgements and estimates

The preparation of the financial statements requires management to make significant judgements and estimates that affect the amounts reported within the balance sheet and statement of financial activities. The following are the Company's key sources of estimation uncertainty:

- **Multi- employer defined benefit pension scheme liability**

The schedule of contributions for the multi-employer defined benefit pension scheme is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. The mortality rate is based on publicly available mortality tables for the specific country. Future salary and pension increases are based on expected future inflation rates for the respective country.

The Company has included a liability within the financial statements to reflect its own future funding obligations based upon a discounted cash flow basis. The discounted cash flow has been calculated by using a long term inflation rate of 3.15% and a discount rate of 0.85%.

In determining the appropriate discount rate, management considers the interest rate of AA corporate bonds denominated in Great British pound sterling, with a bond maturity similar in duration to the defined benefit funding obligation.

Group financial statements

The statement of financial activities (SOFA) and group balance sheet consolidate the financial statements of the charity and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

A separate SOFA and income and expenditure account are not presented for the charity itself following the exemptions afforded by Section 408 of the Companies Act 2006.

Income recognition policy

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

The charitable company recognises support from the Coronavirus Job Retention Scheme on a receivable basis as a unrestricted donation to the charitable company.

Investment income is recognised on a receivable basis.

MIDLAND GROUP TRAINING SERVICES LIMITED
ACCOUNTING POLICIES (continued)
31 March 2021

Resources expended and Irrecoverable VAT

Expenditure is recognised when a liability is incurred. Contractual arrangements and performance related grants are recognised as goods and services are supplied.

Charitable activities include expenditure associated in the provision of training services and include both the direct costs and support costs relating to these activities.

The charitable company recognises the cost of contractual redundancy payments as being part of the cost of the delivery of charitable activities.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Support costs include the central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g. staff costs by the estimated time spent and other costs by their estimated usage.

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Taxation

The company is a registered charity and is exempt from taxation on its charitable activities. The subsidiary company has no tax liability as it donates its taxable profits to the charity under gift aid.

Tangible fixed assets

Fixed assets costing £3,000 or more are capitalised at cost.

Depreciation is charged by instalments at rates estimated to write off the cost of the asset less any residual value over the expected useful lives at the following rates:-

2½% per annum on freehold buildings
4% per annum on freehold building improvements
10% per annum on leasehold building improvements
10% to 25% per annum on equipment and vehicles
33⅓% per annum on computer equipment

On disposal of assets in the ordinary course of business adjustments are made to the depreciation charge to reflect differences between the actual and estimated aggregate depreciation.

Pensions – Defined Benefit Scheme

The defined benefit scheme was closed to new contributions on 31st August 2010. In accordance with paragraph 28.11 of FRS102 the company as a participating employer to the scheme, has recognised the present value of its share of the agreed contributions on the balance sheet as a liability on a discounted cash flow basis. MGTS's estimated liability as at 31st March 2021 is £3.6M and is recalculated each year, with movements in the liability reflected in the Statement of Financial Activities and the element relating to the unwinding of the discount in interest payable. The Company has renegotiated its recovery plan as a result of the latest actuarial valuation as at 31st March 2020.

Further information in relation to an update on the current status of the pension scheme deficit and the most recent valuation can be found in note 12 on page 23.

The Company is liable for its own funding obligations and is also liable for those of the other sponsoring employers, should those sponsoring employers default on their obligations.

Pension costs - Defined Contribution Scheme

The amount charged to the Statement of Financial Activities in respect of pension costs is the contribution payable in the year. Any differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2021

Funds structure

The charity has a number of restricted income funds to account for situations where a donor requires that a donation must be spent on a particular purpose or where funds have been raised for a specific purpose.

All other funds are unrestricted income funds.

2 Legal status of the Charity

The Charity is a company, limited by guarantee, and has no share capital. It was incorporated on 17 July 1970. Its governing document is its Memorandum and Articles of Association. The liability of each member in the event of winding up is limited to £20.

3 Investment income	2021	2020
	£	£
Short term deposit interest receivable	12,395	11,721
	<u> </u>	<u> </u>
4 Income from Charitable Activities		
Training services provided	2,966,283	3,075,418
	<u> </u>	<u> </u>
5 Charitable Activities Costs		
The charity undertakes direct charitable activities and does not make grant payments		
Provision of training services and projects	3,178,770	3,469,969
Support costs – salaries and office costs	77,166	71,967
	<u> </u>	<u> </u>
	3,255,936	3,541,936
	<u> </u>	<u> </u>
Governance costs		
Salaries and office costs	13,375	12,359
Auditors' remuneration		
- Audit	8,100	7,750
- Other services	750	750
	<u> </u>	<u> </u>
	22,225	20,859
	<u> </u>	<u> </u>

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2021

	2021	2020
6 Net incoming resources		
Net incoming resources are stated after charging/ (crediting):		
Directors' and officers' indemnity insurance	-	-
Depreciation of tangible fixed assets:		
- owned assets	233,808	268,265
- leased assets	66,009	106,452
(Profit)/loss on disposal of tangible fixed assets	(6,668)	(6,315)
Change in fair value of pension liability	3,646,183	-
	<hr/>	<hr/>
7 Staff costs	£	£
Wages and salaries	1,684,605	1,719,079
Social security costs	195,502	197,916
Pension costs	246,857	253,303
	<hr/>	<hr/>
	2,126,964	2,170,298
	<hr/>	<hr/>
Average number of persons employed by the company	45	48
	<hr/>	<hr/>
Key management personnel		
Emoluments	377,558	363,488
Pension contributions to defined contribution scheme	25,387	21,127
	<hr/>	<hr/>
	402,945	384,615
	<hr/>	<hr/>
The number of employees who received emoluments of more than £60,000 in the year was as follows:		
£60,001 - £70,000	1	2
£70,001 - £80,000	1	1
£80,001 - £90,000	1	-
£110,000 - £120,000	1	1
	<hr/>	<hr/>

Midland Group Training Services paid £20,187 (2020: £19,580) into a defined contribution pension scheme for 4 (2020: 4) higher-paid employees.

The directors do not receive emoluments or expenses.

Pension costs - Defined Benefit Scheme

In addition to the above, the Company made a payment of £114,936 (2020: £110,659) to the multi-employer defined benefit scheme (see note 12 on page 23).

Pension costs - Defined Contribution Scheme

The company provides pensions for current employees, through a defined contribution scheme. The employer contributions for the period were £108,215 (2020 £108,764). The running costs of the scheme are amalgamated with the Defined Benefit scheme and cannot be separately identified. There were no outstanding or prepaid contributions at the balance sheet date.

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2021

8 Tangible fixed assets – group and charity

	Freehold Property £	Leasehold Improvements £	Equipment & vehicles £	Total £
Cost				
1 April 2020	2,153,679	1,237,449	2,933,265	6,324,393
Additions	750	-	50,447	51,197
Disposals	-	-	(52,375)	(52,375)
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31 March 2021	2,154,429	1,237,449	2,931,337	6,323,215
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
1 April 2020	948,392	305,694	1,815,888	3,069,974
Charge for year	9,744	66,009	224,064	299,817
Disposals	-	-	(38,127)	(38,127)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2021	958,136	371,703	2,001,825	3,331,664
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
31 March 2021	1,196,293	865,746	929,512	2,991,551
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2020	1,205,287	931,755	1,117,377	3,254,419
	<hr/>	<hr/>	<hr/>	<hr/>

Since the 31st March 2021 the Company granted in favour of the Trustees of the EEF Staff Pension Fund an uncapped charge over the freehold property at Gulson Road, Coventry, included in the balance sheet at £1.2m.

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2021

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
9 Fixed asset investment				
Shares in subsidiary undertaking	-	-	1,000	1,000

Subsidiary undertaking

MGTS Business and Training Services Limited which was incorporated in England on 22 September 2000 pays all its taxable profits to the charity by Gift Aid. MGTS Business and Training Services Limited operates as an executive arm of the charity. The charity owns the entire issued share capital of 1,000 ordinary shares of £1 each. A summary of the trading results is shown below.

Summary of profit and loss account

	2021	2020
	£	£
Turnover	613,095	1,122,329
Cost of sales and administrative expenses	(497,591)	(891,316)
Governance costs	(3,800)	(3,600)
Net profit	111,704	227,413
Retained profit brought forward	227,413	274,799
Amount gifted to the charity	(227,413)	(274,799)
Retained in the subsidiary	111,704	227,413

The assets and liabilities of the subsidiary were:

Fixed assets	-	-
Current assets	771,725	830,601
Creditors: amounts falling due within one year	(659,054)	(602,188)
Net assets	112,704	228,413
Aggregate share capital and reserves	112,704	228,413

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2021

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
10 Debtors				
Amounts falling due within one year:				
Trade debtors	392,835	507,720	273,530	371,395
Prepayments	153,723	83,856	106,698	74,158
Accrued income	2,112	1,506	2,112	1,506
Amount due from subsidiary undertaking	-	-	-	-
	<u>548,670</u>	<u>593,082</u>	<u>382,340</u>	<u>447,059</u>
11 Creditors				
Amounts falling due within one year:				
Trade creditors	901,467	874,971	261,476	308,273
Taxation and social security payable	98,005	118,291	85,815	88,710
Accruals	183,264	219,405	176,424	213,496
Pension deficit liability	757,700	-	757,700	-
Amount due to subsidiary undertaking	-	-	541,124	629,648
	<u>1,940,436</u>	<u>1,212,667</u>	<u>1,822,539</u>	<u>1,240,127</u>
Amounts falling due after one year:				
Pension deficit liability	<u>2,888,483</u>	<u>-</u>	<u>2,888,483</u>	<u>-</u>

Included within trade creditors is deferred income of £383,318 (2020 £368,087). These amounts are deferred because the income relates to future periods.

Deferred income at 1 April 2020	368,087
Used in year	(296,557)
Deferred in year	<u>266,788</u>
Deferred income at 31 March 21	<u>383,318</u>

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2021

12 Pensions

The Company provides pensions for its employees through participation in the Engineering Employers' Federation Staff Pension Fund (the Fund), which is administered by a Trustee and maintained independently of the Company's finances for defined benefit members and a separate Master Trust for defined contribution members. The Fund was established to enable a number of autonomous but related employers to operate a scheme through the sharing of risk within a wider membership base. As such it is not possible for an underlying employer to identify its share of the underlying assets and liabilities. For multi-employer schemes where this is the case, paragraph 28.40A of FRS102 requires that Midland Group Training Services Limited account for its share of the present value of the agreed pension contributions payable to the scheme and where contributions are affected by a surplus or deficit in the scheme, to disclose information about the surplus or deficit and the implications of the surplus or deficit to the Company.

2020 Valuation

At the date of the last completed valuation of the fund (31st March 2020), the market value of the Fund's assets amounted to £184m. The valuation was carried out by an independent qualified actuary adopting a market-based approach using the projected unit method and the following main assumptions:

Single equivalent average rates (in practise term-dependent curves are used)	% per Annum
Rate of investment return (initial portfolio)	2.2
Rate of investment return (long term portfolio)	1.2
Rate of price inflation	2.8 (RPI)
Rate of increase in salaries	n/a
Rate of pension increases:	
RPI up to 5%	2.7
RPI up to 5%: minimum 3%	3.4
CPI up to 5%	2.4
CPI up to 2.5%	1.9

As at the valuation date these assets were insufficient, on the assumptions adopted, to meet the cost of the Fund's accrued liabilities. The Fund had a deficit of £60m on an ongoing funding basis. Due to the extreme volatility of the market around the valuation date, the Pension Regulator issued guidance that the Trustee can consider post valuation experience as part of the valuation. The Trustee considered the position rolled forward to 31st August 2020 which revealed a deficit of £47m resulting from some recovery in financial markets.

The split between participating employers was re-evaluated on 31st March 2020 based on updated assumptions, resulting in the proportion attributed to MGTS's members increasing to £3.9m (8.3%) 2019: 4.4%.

Subsequently, participating employers agreed contribution schedules with the Trustee that are expected to be sufficient to eliminate their share of the revised deficit over a period acceptable to the Trustee. Under this agreement Midland Group Training Services Limited is liable to make the following contributions in respect of its share of the deficit in the defined benefits section:

Amount	Dates	Frequency
£39,426	Payable from 1 st April 2021 to 30 th June 2021 inclusive.	Monthly
£718,274	Payable July 2021	One off
£157,680 pa	Payable from 1st April 2022 to 31st March 2034 inclusive. This will be increased in line with the increase in the RPI (on a preceding December to December basis).	Annually
£500,000	Payable April 2026	One off

In addition, the Company has granted an uncapped charge to the Trustee of the Fund, over the freehold property at Gulson Road, Coventry included in the Balance Sheet at 31st March 2021 at £1.2m (see note 8 page 20). It should be noted that the defined benefit scheme was closed to all future accruals during 2010.

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2021

13 Movement in funds

	1 April 2020	Incoming resources	Resources expended and losses	Capital Expenditure	31 March 2021
	£	£	£	£	£
Restricted funds					
- 24+ Loan Fund	2,000	-	-		2,000
- Employer Incentives	33,400	65,600	(71,000)		28,000
- LEP Funding	453,945	-	(48,684)		405,261
Unrestricted funds	4,794,416	3,117,441	(6,555,022)		1,356,835
Non-charitable trading funds	227,413	613,095	(728,804)		111,704
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	5,511,174	3,796,136	(7,403,510)	-	1,903,800
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

24+ Advanced Learning Loan Fund

These are funds made available to be loaned to eligible learners. These loans will help learners aged 24 or above pay the fees charged by colleges and training providers for courses at Level 3 and Level 4, or Advanced and Higher Apprenticeships.

Employer Incentives

The Education and Skills Funding Agency has made a number of incentive payments available to employers taking on an apprentice aged 16-18. These incentives payments are paid to the training provider at set points during the training and must be paid out to the employer.

LEP Funding

MGTS has invested in a new Advanced Engineering and Manufacturing Centre in Redditch, Worcestershire. Our £875,000 investment was matched by funding of £700,000 from the Worcestershire and Birmingham Local Enterprise Partnerships. The funding will be released over the life of the assets.

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2021

14 Analysis of net assets between funds

	Unrestricted £	Non-charitable trading funds £	Restricted £	Total £
Intangible fixed assets	-	-	-	-
Tangible fixed assets	2,586,290	-	405,261	2,991,551
Current assets	2,939,444	771,724	30,000	3,741,168
Current liabilities	(1,281,416)	(659,020)	-	(1,940,436)
Long term liabilities	(2,888,483)	-	-	(2,888,483)
	<u>1,355,835</u>	<u>112,704</u>	<u>435,261</u>	<u>1,903,800</u>

15 Operating lease commitments

The following operating lease payments are committed to be paid:

	2021 £	2020 £
Within one year	98,965	105,806
Between two and five years	365,626	374,656
In more than five years	706,417	792,917
	<u>1,171,008</u>	<u>1,273,379</u>

16 Capital Commitments

The charitable company had capital commitments at the year-end of £18,415 (2020 £nil).

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2021

17 Post Balance Sheet Events

The triennial pension deficit valuation was based upon a spot point date of 31st March 2020, a point in time when the COVID-19 pandemic was responsible for a significant shock in financial markets. As a result of this substantial fall in financial markets, and a corresponding fall in bond yields, the pension deficit increased materially for the Company.

In order to address this increased deficit, the Company negotiated a long-term plan with the Trustee of the pension scheme such that the deficit repair contributions are maintained at an affordable level over a longer period of 14 years. A combination of one-off payments and regular contributions together with granting the pension Trustee uncapped security over the freehold building (as referenced in note 8 on page 20) has enabled the 2022-23 onwards contribution to be maintained at £158K plus RPI rather than £180K plus RPI under the original plan. This recovery plan was approved by the Pension Trustees and MGTS Board of Trustees in June 2021, and payment of the agreed contribution was made in full.

It should be noted that based upon external valuations carried out by professional valuers in April 2021, the freehold property over which the Trustee has security and is currently carried in the balance sheet at historic cost, has a market value (on a vacant possession basis) which is around £3.7m higher than the book carrying value.

Since the valuation, pension scheme fund investments have performed significantly better than expected which has in turn improved the deficit position as of March 2021 to £32m on an actuarial basis. Whilst this will not immediately or directly improve the Company's reported deficit on the balance sheet, the Company is exploring options with the Trustee to capitalise on this investment gain in order to reduce the risk of greater exposure to future downside risks, increase the likelihood of member benefits being paid and increase the chances of the Company recovery payment period being potentially shortened at a later date.

Notwithstanding the above, at the time of approving the financial statements the Trustees believe the Company has enough sufficient resources to be able to continue trading for the foreseeable future and specifically for at least 12 months after signing.