

MIDLAND GROUP TRAINING SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

31 March 2023

**Company No 984899
Registered Charity No 528785**

MIDLAND GROUP TRAINING SERVICES LIMITED
TRUSTEES' REPORT
31 March 2023

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 full year results for fiscal year 22/23 show a healthy surplus and in line with the planned budget. Both income and expenditure were in line with budget expectations and very similar to prior year results. Commercial course activity remains strong, and the results reflect this at some 12% above budget and 30% above prior year. The commercial course calendar is very well populated, with additional dates being added to support the demand. End Point Assessments (EPA) create challenges for the business for two reasons, the first of which is the actual timing of the event and the subsequent completion payment that is made to MGTS. There are a fair number of EPA's that were expected to complete in the 22/23 fiscal year that will now take place in 23/24. The second reason is that there are apprentices that are now refusing to undertake the EPA and purely relying on their qualifications as testament to their apprenticeship. Sadly, too many of the employers do not seem willing to push their apprentices to undertake the EPA as part of the overall apprenticeship. Failure to undertake the EPA in turn results in no 20% completion payment to MGTS.

Recruitment rates for the September 2022 intake were at 150 which represented a 100% capacity utilisation and was 10 apprentices above the budgeted number. Within the apprentice starts for the past year was the first cohort of FDEM apprentices to undertake the programme at the Coventry facility. Apprentice numbers for the 2023 intake look very positive with six new companies committing to apprenticeship training with MGTS for the first time. The recruitment team continued to engage with careers events throughout catchment areas for both Coventry and Redditch centres and since September over 65 events have been attended, supporting the drive to increase applicant interest and numbers.

MGTS continues to achieve high levels of learner success rates and maintain a position of at least 12% above the national achievement rate. This is underpinned by the levels of work and progress continuing at pace on executing the MGTS Quality Framework Strategy, particularly around curriculum development and teaching and learning. Monthly Quality Improvement Meetings take place and link directly to the QIP (Quality Improvement Plan) and SAR (Self-Assessment Report).

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Financial review

The financial year result was an unrestricted surplus of £218,452 (2022 £233,052). The Company balance sheet has improved year on year with net current assets at the year-end of £2.1m (2022 £1.8m).

Income

Total unrestricted income of £4.4m was generated in 2022-2023, which is broadly the same as in the previous year. Apprentice training income represented 76% of this, with commercial activities, reserve movements and investment income making up the balance. Commercial course demand continues to be buoyant and revenue from this business area is now 2.5% above pre-pandemic levels.

Expenditure

Unrestricted expenditure in 2022-2023 remained at £4.2m, £1.1m of this is related to our commercial activities, and the remaining £3.1m was spent supporting our charitable aims.

Funds

Total funds on 31 March 2023 were £2.3m (2022 £2.1m) of which all but £322,893 were unrestricted.

Principal Risks and Uncertainties

Ofsted - the introduction of the Education Inspection Framework in September 2019 means a renewed focus on quality and compliance e.g. Inspectors will be spending less time looking at performance data, and more time considering how providers are making sure their learners are developing the knowledge, skills and behaviours required to allow them to successfully progress and achieve. Having gone through our last full Ofsted inspection in 2017 with a four-year cycle of assessment the business is aware that it is within scope of and that this will most likely take place during the 23/24 fiscal year.

Inflation - the UK's rate of inflation continues to remain high, driven by such factors as food pricing, wholesale gas prices and worker shortages and wage increase demands. Increasing levels of pricing in raw materials has a major impact on MGTS which specializes in engineering biased training and development, particularly when one factors in the stagnation of apprenticeship funding levels.

Staff recruitment – recruitment in general across all sectors remains challenging, none more so than those related to engineering and further education. Open job advertisements can take a considerable time to fill, particularly with what appears to be a weakened talent pool. Undoubtedly high performers are being retained by their existing business. Despite these challenges MGTS is moving forward and continues to strengthen the team for both practical and theory based educational training.

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

MIDLAND GROUP TRAINING SERVICES LIMITED
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31 March 2023

Policies

a) Reserves

The trustees have forecast 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 consider that the most appropriate level of free reserves on 31 March 2023 would be 9 months of the group's budgeted expenditure i.e. £3.16m. The actual free reserves on 31 March 2023 were £2.05m being £1.1m (2022: £1.1m) short of the target figure. Whilst the shortfall remains unchanged, the actual level of free reserves has increased year on year.

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.

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.

<p style="text-align: center;">MIDLAND GROUP TRAINING SERVICES LIMITED TRUSTEES' REPORT 31 March 2023</p>
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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:

Ms C Bell	Mrs T Reynolds
Mr K Kane	Mrs R Ritchie
Mr G F Lawton	Mr A Watson
Mr D Montgomery	

The following were appointed as Trustees during the year:

Mr S Marson

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.

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 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 (resigned 26.3.23)
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.

<p style="text-align: center;">MIDLAND GROUP TRAINING SERVICES LIMITED TRUSTEES' REPORT 31 March 2023</p>
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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

The government is committed to supporting apprenticeships through innovation and increased funding. In September 2021 a new online service launched to make it easier for large employers that pay the Apprenticeship Levy to spend their funds, and for other employers to review and apply for funding. Government funding for apprenticeships is set to increase by £170 million to £2.7 billion in 2024-25.

The ESFA have updated the apprenticeship accountability framework technical specification which outlines the quality indicators that form part of the apprenticeship accountability framework and how these are applied for this first year. It has been updated to include information about the thresholds for OTJT (Off the Job Training), achievement rates and retention rates. In response to feedback from training providers, the ESFA have also amended the thresholds for withdrawals, learners past planned end date and breaks in learning for providers that fall into the “needs improvement” category.

The thresholds included in the framework are not targets for the apprenticeships programme and should not be used by providers as targets to benchmark their provision against. Instead, these thresholds reflect minimum expectations and will be used to inform any intervention actions the ESFA will take in response to concerns about the quality of delivery at a provider.

Both the Kickstart Scheme and additional apprenticeship funding incentives started in September 2020 have now finished as of the 31 January 2022. The Kickstart Scheme had 250,000 targeted roles to fill and only 100,000 available roles have been filled. The employer incentive payment scheme for taking on an apprentice will now revert back to the £1,000.

MIDLAND GROUP TRAINING SERVICES LIMITED
TRUSTEES' REPORT
31 March 2023

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 2023.

AUDITORS

A resolution will be put to the forthcoming AGM to reappoint Luckmans Duckett Parker Limited as Auditors for the year ending 31 March 2024.

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
6th September 2023

<p style="text-align: center;">MIDLAND GROUP TRAINING SERVICES LIMITED DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS 31 March 2023</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 company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the parent company Balance Sheet, the Consolidated 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 company's affairs as at 31 March 2023 and of its 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 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 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 the parent 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 parent 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 and the parent 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 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 the 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 for 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 level of 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.

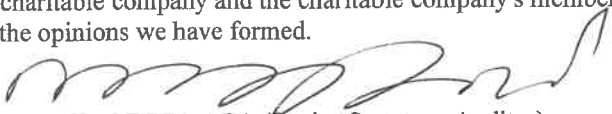
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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
1110 Elliott Court
Coventry Business Park
Herald Avenue
Coventry
West Midlands
CV5 6UB

Date: ..6th September 2023

MIDLAND GROUP TRAINING SERVICES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2023

	Note	Unrestricted funds £	Restricted funds £	Total 2023 £	Total 2022 £
Income:					
<i>Income from donations and legacies:</i>					
Coronavirus Job Retention Scheme income	1	-	-	-	8,242
<i>Income from Charitable activities:</i>					
Subscriptions, training, projects, course fees and extra services	4	3,081,699	79,000	3,160,699	3,382,174
<i>Income from other trading activities:</i>					
Commercial trading operations	9	1,299,079	-	1,299,079	1,120,082
Investment income	3	14,781	-	14,781	2,130
		<hr/>	<hr/>	<hr/>	<hr/>
Total incoming resources		4,395,559	79,000	4,474,559	4,512,628
		<hr/>	<hr/>	<hr/>	<hr/>
Expenditure:					
<i>Costs of raising funds:</i>					
Investment management costs		-	-	-	-
Commercial trading operations	9	1,067,497	-	1,067,497	882,591
<i>Expenditure on charitable activities</i>	5	3,109,610	119,684	3,229,294	3,468,669
		<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure		4,177,107	119,684	4,296,791	4,351,260
		<hr/>	<hr/>	<hr/>	<hr/>
Net income/ (loss) before other recognised gains	6	218,452	(40,684)	177,768	161,368
Other recognised losses					
Change in fair value of pension scheme liability	12	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds for the year		218,452	(40,684)	177,768	161,368
Fund balance brought forward at 1 April 2022		1,701,591	363,577	2,065,168	1,903,800
		<hr/>	<hr/>	<hr/>	<hr/>
Fund balance carried forward at 31 March 2023		1,920,043	322,893	2,242,936	2,065,168
		<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 2023
Company No 984899

		Group		Charity	
	Note	2023	2022	2023	2022
		£	£	£	£
Fixed assets					
Tangible fixed assets	8	2,774,130	2,981,849	2,774,130	2,981,849
Investment in subsidiary undertaking	9	-	-	1,000	1,000
		<u>2,774,130</u>	<u>2,981,849</u>	<u>2,775,130</u>	<u>2,982,849</u>
Current assets					
Debtors	10	630,076	587,457	433,993	381,907
Short term deposits		2,477,173	2,472,463	2,477,173	2,472,463
Bank balance and cash		144,190	107,109	65,441	59,371
		<u>3,251,439</u>	<u>3,167,029</u>	<u>2,976,607</u>	<u>2,913,741</u>
Creditors - amounts falling due within one year	11	(1,183,617)	(1,318,514)	(1,141,367)	(1,303,717)
		<u>2,068,822</u>	<u>1,848,515</u>	<u>1,835,240</u>	<u>1,610,024</u>
Net current assets					
Creditors - amounts falling due after more than one year	11	(2,599,016)	(2,765,196)	(2,599,016)	(2,765,196)
		<u>2,242,936</u>	<u>2,065,168</u>	<u>2,011,354</u>	<u>1,827,677</u>
Net assets					
Funds:					
Restricted funds	13	322,893	363,577	322,893	363,577
Unrestricted funds	13	1,688,461	1,464,100	1,688,461	1,464,100
Non-charitable trading funds	13	231,582	237,491	-	-
		<u>2,242,936</u>	<u>2,065,168</u>	<u>2,011,354</u>	<u>1,827,677</u>
Total funds					
		<u><u>2,242,936</u></u>	<u><u>2,065,168</u></u>	<u><u>2,011,354</u></u>	<u><u>1,827,677</u></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 September 2023 and were signed on its behalf by:


G Lawton
Chairman

MIDLAND GROUP TRAINING SERVICES LIMITED
CASH FLOW STATEMENT
for the year ended 31 March 2023

		Group	
	Note	2023 £	2022 £
Cash flows from operating activities:			
Cash generated from operations	1	144,756	(335,603)
		<hr/>	<hr/>
Net cash provided by (used in) operating activities		144,756	(335,603)
		<hr/>	<hr/>
Cash flows from investing activities:			
Purchase of tangible fixed assets		(187,371)	(334,539)
Sale of tangible fixed assets		69,625	55,086
Interest received		14,781	2,130
		<hr/>	<hr/>
Net cash provided by (used in) investing activities		(102,965)	(277,323)
		<hr/>	<hr/>
Change in cash and cash equivalents in the reporting period		41,791	(612,926)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the reporting period		2,579,572	3,192,498
		<hr/>	<hr/>
Cash and cash equivalents at the end of the reporting period		2,621,363	2,579,572
		<hr/>	<hr/>

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 March 2023

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

	2023	2022
	£	£
Net income for the reporting period (as per the statement of financial activities)	177,768	161,368
Adjustments for:		
Depreciation charges	332,062	313,680
Profit on disposal of fixed assets	(33,436)	(27,544)
Change in fair value of pension scheme liability	26,040	46,219
Interest received	(14,781)	(2,130)
(Increase)/decrease in debtors	(36,849)	(38,787)
Increase/(decrease) in creditors	(306,048)	(788,409)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	144,756	(335,603)
	<hr/>	<hr/>

MIDLAND GROUP TRAINING SERVICES LIMITED
ACCOUNTING POLICIES
31 March 2023

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 predicted future inflation rates of 10% in years 1 and 2 and 6% thereafter. The discount rate used is 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 an unrestricted donation to the charitable company.

Investment income is recognised on a receivable basis.

MIDLAND GROUP TRAINING SERVICES LIMITED
ACCOUNTING POLICIES (continued)
31 March 2023

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 was £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 on 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
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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	2023	2022
	£	£
Short term deposit interest receivable	14,781	2,130
	<hr/>	<hr/>
4 Income from Charitable Activities		
Training services provided	3,160,699	3,281,874
	<hr/>	<hr/>
5 Charitable Activities Costs		
The charity undertakes direct charitable activities and does not make grant payments		
Provision of training services and projects	3,138,016	3,387,721
Support costs – salaries and office costs	91,278	80,948
	<hr/>	<hr/>
	3,229,294	3,468,669
	<hr/>	<hr/>
Governance costs		
Salaries and office costs	16,170	13,533
Auditors' remuneration		
- Audit	7,075	9,925
- Other services	1,500	1,500
	<hr/>	<hr/>
	24,745	24,958
	<hr/>	<hr/>

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2023

	2023	2022
6 Net incoming resources		
Net incoming resources are stated after charging/ (crediting):		
Directors' and officers' indemnity insurance	-	-
Depreciation of tangible fixed assets:		
- owned assets	264,793	246,909
- leased assets	67,269	66,771
(Profit)/loss on disposal of tangible fixed assets	(33,436)	(27,544)
Interest on pension scheme liabilities	26,040	46,219
	<hr/>	<hr/>
7 Staff costs	£	£
Wages and salaries	1,737,273	1,602,275
Social security costs	210,988	194,635
Pension costs	136,003	130,042
	<hr/>	<hr/>
	2,084,264	1,926,952
	<hr/>	<hr/>
Average number of employees	43	43
	<hr/>	<hr/>
Key management personnel		
Emoluments	507,756	410,062
Pension contributions to defined contribution scheme	30,618	27,054
	<hr/>	<hr/>
	538,374	437,116
	<hr/>	<hr/>
The number of employees who received emoluments of more than £60,000 in the year was as follows:		
£60,001 - £70,000	2	3
£70,001 - £80,000	-	-
£80,001 - £90,000	3	2
£110,000 - £120,000	1	1
	<hr/>	<hr/>

Midland Group Training Services paid £30,618 (2022: £27,054) into a defined contribution pension scheme for 6 (2022: 6) 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 £169,506 (2022: £757,700) 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 £105,713 (2022 £101,370). 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
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8 Tangible fixed assets – group and charity

	Freehold Property £	Leasehold Improvements £	Equipment & vehicles £	Total £
Cost				
1 April 2022	2,164,151	1,254,933	2,962,319	6,381,403
Additions	10,280	-	150,252	160,532
Disposals	-	-	(191,982)	(191,982)
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31 March 2023	2,174,431	1,254,933	2,920,589	6,349,953
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
1 April 2021	969,317	438,474	1,991,763	3,399,554
Charge for year	11,442	67,269	253,351	332,062
Disposals	-	-	(155,793)	(155,793)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2023	980,759	505,743	2,089,321	3,575,823
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
31 March 2023	1,193,672	749,190	831,268	2,774,130
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2021	1,194,834	816,459	970,556	2,981,849
	<hr/>	<hr/>	<hr/>	<hr/>

On 30th June 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 2023

	Group		Charity	
	2023	2022	2023	2022
	£	£	£	£
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

	2023	2022
	£	£
Turnover	1,299,079	1,120,082
Cost of sales and administrative expenses	(1,063,422)	(878,491)
Governance costs	(4,075)	(4,100)
Net profit	231,582	237,491
Retained profit brought forward	237,491	111,704
Amount gifted to the charity	(237,491)	(111,704)
Retained in the subsidiary	231,582	237,491

The assets and liabilities of the subsidiary were:

Fixed assets	-	-
Current assets	787,628	914,648
Creditors: amounts falling due within one year	(555,046)	(676,157)
Net assets	232,582	238,491
Aggregate share capital and reserves	232,582	238,491

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2023

	Group		Charity	
	2023	2022	2023	2022
	£	£	£	£
10 Debtors				
Amounts falling due within one year				
Trade debtors	446,463	471,919	258,782	271,269
Prepayments	174,505	115,239	166,103	110,339
Accrued income	9,108	299	9,108	299
Amount due from subsidiary undertaking	-	-	-	-
	<u>630,076</u>	<u>587,457</u>	<u>433,993</u>	<u>381,907</u>
11 Creditors				
Amounts falling due within one year:				
Trade creditors	796,159	861,184	264,347	209,222
Taxation and social security payable	103,362	117,329	91,834	100,907
Accruals	91,876	170,495	80,170	162,722
Pension deficit liability	192,220	169,506	192,220	169,506
Amount due to subsidiary undertaking	-	-	512,796	661,360
	<u>1,183,617</u>	<u>1,318,514</u>	<u>1,141,367</u>	<u>1,303,717</u>
Amounts falling due after one year:				
Pension deficit liability	2,599,016	2,765,196	2,599,016	2,765,196

Included within trade creditors is deferred income of £312,378 (2022 £353,000). These amounts are deferred because the income relates to future periods.

Deferred income at 1 April 2022	353,000
Used in year	(336,351)
Deferred in year	295,729
	<u>312,378</u>
Deferred income at 31 March 23	<u>312,378</u>

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
31 March 2023

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 2023 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
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13 Movement in funds

	1 April 2022	Incoming resources	Resources expended and losses	Capital Expenditure	31 March 2023
	£	£	£	£	£
Restricted funds					
- 24+ Loan Fund	2,000	-	-		2,000
- Employer Incentives	5,000	79,000	(71,000)		13,000
- LEP Funding	356,577	-	(48,684)		307,893
Unrestricted funds	1,464,100	3,096,480	(2,872,119)		1,688,461
Non-charitable trading funds	237,491	1,299,079	(1,304,988)		231,582
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2,065,168	4,474,559	(4,296,791)	-	2,242,936
	<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 2023

14 Analysis of net assets between funds

	Unrestricted £	Non-charitable trading funds £	Restricted £	Total £
Intangible fixed assets	-	-	-	-
Tangible fixed assets	2,466,237	-	307,893	2,774,130
Current assets	2,449,811	786,628	15,000	3,251,439
Current liabilities	(628,571)	(555,046)	-	(1,183,617)
Long term liabilities	(2,599,016)	-	-	(2,599,016)
	<u>1,688,461</u>	<u>231,582</u>	<u>322,893</u>	<u>2,242,936</u>

15 Operating lease commitments

The following operating lease payments are committed to be paid:

	2023	2022
	£	£
Within one year	107,326	95,615
Between two and five years	401,553	364,905
In more than five years	533,417	619,917
	<u>1,042,296</u>	<u>1,080,437</u>

16 Capital Commitments

The charitable company had capital commitments at the year-end of £nil (2022 £36,990).

MIDLAND GROUP TRAINING SERVICES LIMITED
NOTES ON FINANCIAL STATEMENTS
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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 December 2022 to approximately £16m on an actuarial basis. 8.3% of this is attributable to this Company (£1.3m). 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. The latest triennial review is in progress and will be reflected in the financial statements to 31st March 2024.

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.