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1. FINANCIAL CAP REVIEW 1 – DELAYED ACTIVITY (2020-21 ACTIVITY PERIOD)

Further to advice provided in Smart and Skilled Update No. 104 (2 July 2020), the Department is proceeding with the first review of Financial Caps for the 2020-21 Activity Period, which will begin **today 10 August 2020**.

The implementation has been on hold while the Department assessed the impact of recent announcements by the Commonwealth and their likely effect on market management activities for Smart and Skilled.

The Department has decided to proceed with a first review that is focused on variations to Financial Caps to accommodate delayed activity for continuing students.

Prioritising additional support for continuing students with delayed activity/payments will enable Providers and the Department to meet the cost of training for students enrolled prior to 1 July 2020. It will provide additional funding this financial year to address the impacts of COVID-19 on student progress and completion, where delays prevented the achievement of payments in 2019-20.

Further details regarding the criteria for delayed activity and calculating any Financial Cap adjustment(s) are set out in section 1.a below.

At this review, Providers may also request a transfer of Financial Caps or may elect to return any excess Financial Cap to the Department.

Providers cannot request additional Financial Cap to increase new enrolments at this review. These requests will instead be addressed in upcoming Financial Cap reviews. The Department will provide further details on the timing of further reviews in the near future.

a. Delayed activity due to COVID-19 for continuing students

The Department recognises that some students were unable to progress in their training as expected in the 2019-20 Activity Period due to COVID-19 and that milestones and payments expected to be achieved in that Activity Period may now occur in 2020-21. As a result, Financial Caps for the current 2020-21 Activity Period may require adjustment to accommodate the delayed payments.

The Department is therefore giving Providers the opportunity to calculate an estimate of the standard subsidy value of any delayed activity and to submit a request for Financial Cap adjustments, which will then be assessed by the Department.

Affected Providers may submit a request for either a transfer of Financial Cap or for additional Financial Cap to fund the delayed payments.

i. Method of calculating Financial Cap/Standard Subsidy for delayed activity

- The payments must relate to students who were in training in the 2019-20 Activity Period and who are continuing training in 2020-21.
- The additional amount of Financial Cap must be calculated **only** on the payment instalments that would have been achieved in the 2019-20 Activity Period if not for the impact of COVID-19 on progression and completion, where these payments are now expected to be paid in 2020-21.
- The training activity data showing the delay in training progress for the affected student must have been reported after 11 March 2020.

Importantly, this does not compensate a Provider for a loss of revenue from students who have discontinued training or for a reduction in enrolments.

Delayed activity is for continuing students in training, where the Provider has a reasonable expectation the payment instalment(s) that would have otherwise been achieved in usual circumstances in the 2019-20 Activity Period will now be achieved in 2020-2021.

Examples of payments that are considered and not considered as delayed activity are in **Appendix 1**.

ii. Assessing Financial Cap variation requests

As the Financial Cap amounts for the current 2020-21 Activity Period include an estimate of continuing students calculated in early March 2020, the Department will assess requests for additional Financial Cap for delayed activity and will consider a Provider's likelihood of utilising the Financial Cap.

This will take into consideration all relevant available information, including (but not limited to):

- the uncommitted balance of the Financial Cap
- previous cap usage performance, and
- the Department's own estimates of delayed activity

to determine whether to increase the Financial Cap by any amount.

Providers must supply a **summarised** explanation of the students and payment instalments contributing to the delayed activity amount requested within the *Financial Cap Variations Form – Review Stage 1*.

Providers are not required to submit the calculations of delayed activity to the Department unless specifically asked to do so by the Department.

All decisions in relation to varying Financial Caps remain at the Department's absolute discretion.

b. Transfer between Financial Caps

Each Provider is experiencing unique circumstances and should tailor any request to vary Financial Caps to align with the Department's funding priorities and to achieve 85%–100% usage of each Financial Cap by the end of the 2020-21 Activity Period.

Providers should first seek to transfer uncommitted and excess Financial Caps before requesting additional Financial Cap, noting that regional Financial Caps cannot be transferred to the Sydney region (please refer to Smart and Skilled Update 104 for further information).

c. Reduction in a Financial Cap

A Provider is to achieve 85–100% cap usage by the end of the Activity Period.

If at any time a Provider becomes aware that it will not use all of a Financial Cap, the excess amount should be returned to the Department by requesting a reduction.

Please note: Only an uncommitted Financial Cap balance can be returned.

2. HOW TO REQUEST A VARIATION IN FINANCIAL CAPS

Providers who have been allocated Financial Caps for the 2020-21 Activity Period will receive a *Financial Cap Variations Form – Review Stage 1* today. This form is the only mechanism for Providers to request Financial Cap variations at this first review stage.

Financial Cap usage and commitments against Financial Cap levels will be included in the form to assist Providers.

Please note: A response is not mandatory. Only return a form if a financial cap variation is being sought.

To make a request, please complete the relevant sections of the form and **submit by COB Monday 17 August 2020 to smartandskilled.application@det.nsw.edu.au**

3. UP TO DATE TRAINING ACTIVITY DATA

The Department will refer to your organisation's reported enrolment and Training Activity Data during the Financial Cap review process.

To allow for accurate measurement of activity at the review stage, all enrolments and Training Activity Data must be reported as required by the Smart and Skilled Contract.

At the time of submitting any request for a Financial Cap variation, Providers should ensure that they have:

- created Commitment IDs for all Enrolled Students
- submitted all Training Activity Data for Enrolled Students who have commenced training
- reported all unit of competency outcomes achieved by students

- cancelled any Commitment IDs for Enrolled Students who will not commence
- finalised records for students that have exited training and will not complete training successfully.

Please note:

Training Activity Data is considered to have been submitted once it has been successfully uploaded into the Department's portal – that is, it has not been rejected by the AVS system/external validation process.

For any technical support in relation to this update, contact Training Market Customer Support at Training.Market@det.nsw.edu.au.

Please note that this update is for the information of approved Smart and Skilled providers only. If providers require further information for students or employers, please contact Training Market Customer Support, as above, unless otherwise instructed.

APPENDIX 1

Examples for calculating delayed activity

Example 1 - Delayed activity

- (a) Student A commenced a Certificate III qualification in July 2019 and the planned end date of training was 1 June 2020.
- (b) The standard subsidy for the student in this qualification is \$3,000*.
 - * This is calculated by Price minus Student Fee, noting that where a student is fee exempt or only pays a concession fee, the Fee Gap paid by the Department is not part of the standard subsidy and cannot be included in the value of delayed activity.
- (c) The student attracts loadings of 10%. The loadings are outside of the standard subsidy and cannot be included in the value of delayed activity.

(Remember, the standard subsidy for each student is shown on the Provider Calculator report and is also displayed in the Financial Cap Estimate File. For further information, please refer to the *Provider Guide to Financial Caps* available in STS Online > Smart and Skilled Contract Management > Support Documents.)
- (d) The provider received the commencement and progression payments for Student A.
- (e) Student A was unable to complete training as planned, remains in training in the 2020-21 Activity Period and will now complete training in September 2020.
- (f) This change to the student's planned end date was reported to the Department in May 2020.
- (g) The standard subsidy component of the completion payment is \$1,200 (40% of the total). This amount can be counted as delayed activity.

Example 2 – Not delayed activity

- (a) Student B commenced a training in October 2019.
- (b) In March 2020, Student B withdrew from training.
- (c) The payment milestones not reached by Student B are not payable under the Smart and Skilled Contract and cannot be counted as delayed activity.