

Cost neutral extension of the Bereavement Support Payment

The proposed Bereavement Support Payment has an overall value of £9800 for claimants that receive it for a full year. This is comprised of a one off component worth £5000 and a monthly payment of £400 for 12 months.

Since the proposal is currently that the BSP would be disregarded as income for the purposes of benefits and tax credits, and for tax purposes, the claimant will keep the full value of the payment for the payment period.

By reducing the value of the monthly and/or the one off component it would be possible to cost-neutrally extend the payment period of the monthly payment to three years.

What would a cost neutral extension of the payment period look like?

Assuming the lump sum payment remains at £5000, £4800 remains (per claimant) for the ongoing payments. If the payment period was extended to 3 years, and all claimants claimed for the full 3 years, this would equate to a cost neutral allocation of £30.68 per week.

However, we would expect a minority of claimants to claim the BSP for a period of less than 3 years. Based on WPA payment periods, we might estimate that the average claim period would be 2.6 years.¹ This would make the cost neutral rate of payment £35.40 per week.

For low income working families the value of WPA is currently £43 per week (see attached spreadsheet), and it would be important to avoid the weekly value of the BSP being less than it is at present for this group. If the value of the BSP was made £43 per week, this would cost an average of £390 per claimant per year.

At a total number of 8260 BSP new claimants who are parents each year, and an average claim period of 2.6 years, this would mean, once the BSP is fully introduced, there would be estimated to be around 21500 BSP claiming parents at any point in time. At an additional cost of £390 per claimant per year, this would cost a total of £8.4m per year.

¹ Based on an average payment period for WPA of 6 years, we might assume that around a quarter of claims end within 3 years. For this 25% of claimants, we might assume that the average payment period is 1.5 years.

On this basis we could estimate that for a 3 year BSP 75% of claimants would claim for the full 3 years, and of the remaining 25% of claimants, the average payment period would be 1.5 years. This would make the overall average claim period around 2.6 years.

There are expected to be 28500 BSP claimants per year who are not parents. By reducing their lump sum payment by £295 (to £2205 per claimant), around £8.4m per year would be saved.

Since the proposal would reduce the level of ongoing payments in order to extend the payment period, some additional savings would be generated in the first couple of years of introduction.

How generous is this compared to current WPA entitlement

WPA is currently paid at a rate of £111.20 per week. However, because it is both treated as income for benefit and tax credit purposes, and because it is taxable income, the actual value to claimants is normally considerably less than this. The current value is around £39 per week for non working claimants, £43 per week for lower income working claimants paying income tax. High income working claimants (those not in receipt of Tax Credits) have a higher level of weekly gain – around £89 per week.

Proposal:

- ***Extend the payment period for BSP to 3 years***
- ***Ensure this is disregarded for benefits, tax credits and tax purposes.***
- ***Reduce the value of the ongoing payment to £43 per week.***
- ***Reduce the lump sum payment for non-parents claiming the BSP to £2205***

No earnings

	Current system- mother with one child (No WPA, or other income):	Current system- mother with one child receiving WPA (no other income):	UC (No WPA/BSP)	Universal Credit (WPA not disregarded)	Universal Credit (with Bereavement Support Payment disregarded)
IS/JSA	£72.40	£0.00	£72.40	£0.00	£0.00
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06
Tax Credits/ UC	£63.36	£63.36	£63.36	£24.56	£135.76
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50
Total	£156.26	£195.06	£156.26	£156.26	£248.32
Additional value of BSP/WPA		£38.80		£0.00	£92.06

Earnings £10,000

	Current system- mother with one child (No WPA):	Current system- mother with one child receiving WPA:	UC (No WPA/BSP)	Universal Credit (WPA not disregarded &taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)
Net Earnings	£187.59	£165.35	£187.59	£165.35	£187.59
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06
Tax Credits/ UC	£110.71	£65.12	£124.15	£24.78	£124.15
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50
Total	£318.80	£362.17	£332.24	£321.83	£424.30
Additional value of BSP/WPA		£43.37		-£10.41	£92.06

Earnings £15,000

	Current system- mother with one child (No WPA):	Current system- mother with one child receiving WPA:	UC (No WPA/BSP)	Universal Credit (WPA not disregarded &taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)
Net Earnings	£252.98	£230.74	£252.98	£230.74	£252.98
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06
Tax Credits/ UC	£71.29	£25.70	£81.64	£0.00	£81.64
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50
Total	£344.77	£388.14	£355.12	£362.44	£447.18
Additional value of BSP/WPA		£43.37		£7.32	£92.06

Earnings £20,000

	Current system- mother with one child (No WPA):	Current system- mother with one child receiving WPA:	UC (No WPA/BSP)	Universal Credit (WPA not disregarded &taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)
Net Earnings	£318.36	£296.12	£318.36	£296.12	£318.36
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06
Tax Credits/ UC	£31.86	£0.00	£39.14	£0.00	£39.14
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50
Total	£370.72	£427.82	£378.00	£427.82	£470.06
Additional value of BSP/WPA		£57.10		£49.82	£92.06

Earnings £25,000

	Current system- mother with one child (No WPA):	Current system- mother with one child receiving WPA:	UC (No WPA/BSP)	Universal Credit (WPA not disregarded &taxable)	Universal Credit (with Bereavement Support Payment disregarded & non taxable)
Net Earnings	£383.74	£361.50	£383.74	£361.50	£383.74
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06
Tax Credits/ UC	£0.00	£0.00	£0.00	£0.00	£0.00
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50
Total	£404.24	£493.20	£404.24	£493.20	£496.30
Additional value of BSP/WPA		£88.96		£88.96	£92.06

**Earnings £26,500 (no
childcare)**

	Current system- mother with one child (No WPA):	Current system- mother with one child receiving WPA:	UC (No WPA/BSP)	Universal Credit (WPA not disregarded &taxable)	Universal Credit (with Bereavement Support Payment disregarded & non taxable)
Net Earnings	£403.36	£381.12	£403.36	£381.12	£403.36
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06
Tax Credits/ UC	£0.00	£0.00	£0.00	£0.00	£0.00
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50
Total	£423.86	£512.82	£423.86	£512.82	£515.92
Additional value of BSP/WPA		£88.96		£88.96	£92.06

**Earnings £26,500
(childcare)**

	Current system- mother with one child (No WPA):	Current system- mother with one child receiving WPA:
Net Earnings	£403.36	£381.12
WPA/BSP	£0.00	£111.20
Tax Credits/ UC	£103.11	£57.52
Child Benefit	£20.50	£20.50
Total	£526.97	£570.34
Additional value of BSP/WPA		£43.37

	2013/14	2014/15
IS/JSA	71.70	72.40
WPA	108.30	111.20
CB	20.30	20.50
UC	311.55 (standard)	314.67 (standard)
	272.08 (child)	274.58 (child)
	734.00 work allowance	734.00 work allowance
	169.38 weekly	169.38 weekly
CTC	545.00 (family)	545.00 (family)
	2720.00 (child)	2750.00 (child)
WTC	1920.00 standard	1940.00 standard
	1970.00 lone parent	1990.00 lone parent
	6370.00 childcare	6370.00 childcare
	6420.00 income threshold	6420.00 income threshold
PA	9440.00 annual	10000.00 annual
	181.53 weekly	192.30 weekly
NIC	149.00 weekly threshold	153.00 weekly threshold