

# Factsheet 6

## Redundancy, finishing work and benefits

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If your job finishes due to redundancy or a voluntary severance scheme benefits you are receiving may be affected and you may need to claim other benefits. Payments you get from your employer in these situations may affect benefits. This factsheet is a summary to help you get what you are entitled to and avoid problems. Other rules apply for self-employment.

## **Getting a redundancy or severance payment**

When you finish work you may get statutory redundancy pay or a lump sum payment from your employer. These payments may count as capital if you are claiming a means tested benefit.

Means tested benefits for people of working age, include Income Support, Income related Employment and Support Allowance, Income based Jobseekers Allowance, Housing Benefit or Universal Credit if it applies and Council Tax Reduction. For people of pension age, it's Pension Credit, Housing Benefit and Council Tax Reduction.

If you are under pension age you cannot get most means tested benefits while you have capital (savings) of £16,000 or more. This includes your partner's capital. For every £250 you have between £6,000 and £16,000 you are treated as having a £1 a week income, called 'tariff income'. These amounts are more generous for people of pension age. Find out your 'pension age' from [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension).

## **If the benefit office thinks you have spent capital or savings to get more benefit**

In this case they can treat you as though you still have the money - called notional capital. This *may* apply even if you use the money to pay off a mortgage or debts.

If you claim a benefit and it is refused or you get paid a reduced amount because of this rule it is important to seek advice. Details at the end.

## **Not sure what type of payment you will get?**

If you have been offered or paid a lump sum because your job is ending but you not sure what type of payment it is, seek advice.

## What happens to benefits when you stop work?

The following are the main means tested benefits you may be getting whilst working and what you should do when you stop work.

### Working Tax Credits

You can get Working Tax Credit (WTC) when you work 'full time', which means 16, 24 or 30 hours or more a week. You must inform HM Revenue and Customs (HMRC) if your job ends or you stop working 'full time'. Phone the Tax Credits helpline on 0345 300 3900 or go to: [www.gov.uk/browse/benefits/tax-credits](http://www.gov.uk/browse/benefits/tax-credits). You can carry on getting WTC for 4 weeks after you finish work.

If you have a partner who satisfies the full time rules, you may be able to carry on getting WTC based on their earnings. Then you have a choice:

- You can let HMRC know as soon as you stop work and they can reassess you straight away - so you should get more WTC as your income has reduced. If you get another job in the same financial year you will have to let HMRC know to avoid overpayment.
- Or you can wait until the end of the financial year to tell HMRC. You will then get any underpayment of WTC as a lump sum. Or it can be added to your next year's Tax Credits if you are still getting them.

### Housing Benefit or Council Tax Reduction

These benefits can be paid when in and out of work. They are paid regardless of working hours but are affected by the amount of wages and Tax Credits you have. So, it is important you notify Newcastle City Council Revenue and Benefits section when you stop work. See below.

### Universal Credit

Universal Credit (UC) is replacing all working age and means tested benefits (called 'legacy benefits') apart from Council Tax Reduction across the UK. It has been fully rolled out to Newcastle. UC can be paid when in and out of work and the amount depends on your circumstances and income. It paid regardless of working hours. So, if you finish work or reduce your hours, your Universal Credit may go up, whereas under legacy benefits you may have had to claim a new benefit. And, once in a Universal Credit area, you cannot usually make a new claim for another 'legacy' benefit. You may have to claim Universal Credit. UC is calculated and paid monthly in arrears called 'assessment periods'. If you are paid tax through PAYE, HMRC automatically notifies DWP of changes in earnings who recalculates your UC. But as it's still your responsibility you should always let the DWP know. If you report your job

loss in the assessment period the job ended, the amended UC will begin from the start of that assessment period. Final earnings are taken into account in the assessment period in which they are paid.

More about Universal Credit: [www.newcastle.gov.uk/universalcredit](http://www.newcastle.gov.uk/universalcredit)

## **Agreeing to redundancy or severance**

If you leave your work voluntarily without good reason, you may find some or all of your Universal Credit or JSA reduced for a period - called a sanction. However, if you agree to voluntary redundancy or severance you should not be classed as leaving your job voluntarily so, you should be entitled these benefits without such restriction. But if you refuse other work you may be sanctioned for another reason, such as 'neglecting to avail' yourself of a work opportunity.

## **What benefits are available when work stops?**

### **Universal Credit**

As described above Universal Credit (UC) is gradually replacing most working age and means tested benefits (called 'legacy benefits'). Full service UC is now in **Newcastle** and the government say that it expects the roll out to be completed by December 2018. Before Universal Credit you would have been able to claim these legacy benefits when stopping work:

- Income based Jobseekers Allowance (JSA) if you are looking for work
- Income related Employment and Support (ESA) Allowance if you are not fit for work
- Income Support in some other circumstances
- Housing Benefit for help with rent
- Child Tax Credit – for children

Instead, in most cases, you will have to claim UC.

Even in areas where Universal Credit does apply, you **can** claim Council Tax Reduction for help with Council Tax – as that has not been replaced by Universal Credit.

Contribution based JSA and contributory ESA have not been replaced by Universal Credit, so you can still claim them.

In addition, Pension Credit and Housing Benefit is available if you are pension age, because Universal Credit is for working age people.

Those people who are on a legacy benefit and have a change in circumstances that would normally mean a claim for another legacy benefit will be told to claim UC. See the document 'The main circumstances which trigger a claim to Universal Credit' on our [more detailed Universal Credit webpage](#). Those with 3 or more children may still be told to claim legacy benefits until February 2019.

### **How do payments at the end of a job affect Universal Credit?**

An occupational pension or income from a personal is taken into account as income. So too are your final earnings, including wage arrears, pay in lieu of notice and accrued holiday pay.

The following are taken into account as capital: redundancy pay (statutory and contractual), unfair dismissal awards by an employment tribunal and any pay in lieu of notice for damages for breach of contract.

### **How do I claim Universal Credit?**

You claim Universal Credit online via the webpage:

<https://www.gov.uk/universal-credit> or this direct link: [claim Universal Credit online](#).

Jobcentre Plus provide a telephone number for help and advice on making an online claim. It is available Monday to Friday, 8am to 6pm, 0800 328 5644.

More details about Universal Credit and who it applies to, is on the website: [www.newcastle.gov.uk/universalcredit](http://www.newcastle.gov.uk/universalcredit)

### **Other benefits and 'legacy benefits'**

This lists the benefits you can claim following a job. This includes those legacy benefits where Universal Credit does not apply and other benefits you can still claim in a Universal Credit area, as described above.

### **Jobseekers Allowance**

Jobseekers Allowance (JSA) is for people who are available for and 'actively seeking' work. There are 2 types of JSA:

- **Contribution based JSA** which you can get for up to 26 weeks if you have paid sufficient National Insurance contributions
- **Income based JSA** if your income and capital are below certain limits. You cannot claim Income based JSA if:
  - Universal Credit applies
  - you have a partner who works 24 or more hours a week; or

- you have capital (savings) of more than £16,000

Note **Universal Credit** has replaced Income based JSA in Newcastle and most areas for most new claims – see ‘Universal Credit’ above. It has not replaced Contribution based JSA which is called ‘new style JSA’ in Universal Credit areas.

### **How do payments at the end of a job affect JSA?**

For **Income based JSA**, this depends on whether your job ends before benefit starts, or you were claiming benefit when working. For example, if you were claiming benefit while working, your final earnings are generally taken into account when you stop work, but if your job ends before benefit starts, your final earnings pay in lieu of notice, holiday pay and ex gratia payments are usually ignored. Arrears of sick pay, maternity pay, paternity pay and adoption pay are mainly taken into account as income.

**Contractual redundancy pay or severance pay** only count as capital up to the amount of any statutory redundancy pay you would be entitled to. You can find out how much statutory redundancy pay you would get at: [www.gov.uk/calculate-your-redundancy-pay](http://www.gov.uk/calculate-your-redundancy-pay)

Example: Ailsa would get £3000 as a statutory redundancy payment. She actually gets £10,000 when she leaves work under a voluntary severance scheme. Only £3000 of this counts as capital for Jobseekers Allowance. The rest is ignored.

If you get a pension from work **Contribution based JSA** is reduced pound for pound by any amount over £50 a week.

### **How do I claim Jobseekers Allowance?**

You claim Jobseekers Allowance from Jobcentre Plus. Details [www.gov.uk/jobseekers-allowance/how-to-claim](http://www.gov.uk/jobseekers-allowance/how-to-claim)

You can only get Contribution based JSA for yourself. You can get Income based JSA for yourself and a partner. If you have dependent children you can claim Child Tax Credit. If you qualify for Income based JSA you may get help with your mortgage interest, see below.

### **Income Support**

Income Support (IS) is a means tested benefit for people on low or no income who do not have to be available for work. You cannot claim Income Support and Jobseekers Allowance or Employment and Support Allowance at the same time. You cannot claim IS if:

- Universal Credit applies – see above

- you (and your partner) have capital of more than £16,000; or
- your partner works 24 hours or more a week; or
- you are pension age or over - you can claim Pension Credit instead, which is more generous.

### **Who can get Income Support?**

You may be able to get IS if your income and capital are sufficiently low, and you are not required to sign on, for example because you are a lone parent with a child aged under 5 or you are a carer and so on.

### **Payments when leaving a job - how is Income Support affected?**

Most payments are treated the same as for income related Jobseekers Allowance above.

Redundancy payments including ex gratia payments and other lump sum payments are treated in full as capital.

### **How do I claim Income Support?**

You claim Income Support from Jobcentre Plus. See: [www.gov.uk/income-support](http://www.gov.uk/income-support)

You can claim Income Support for yourself and a partner. If you have children you can claim Child Tax Credit. If you qualify for Income Support you may get help with your mortgage interest payments (a loan), see below.

### **Employment and Support Allowance**

Employment and Support Allowance (ESA) is for people who have 'limited capability for work'. This means unfit for work. There are 2 types of ESA:

- **Contribution based ESA** which you can get if you have paid sufficient National Insurance contributions
- **Income related ESA** which you may get if your income and capital are below certain limits. You cannot claim Income related ESA if:
  - Universal Credit applies – see above
  - you have a partner who works 24 or more hours; or
  - you have capital (savings) of more than £16,000

As described above, **Universal Credit** has replaced income related ESA in Newcastle for most new claims – see 'Universal Credit' above. It has not replaced Contribution based ESA which is called 'new style ESA' in Universal Credit areas.

### **Payments at the end of a job - how is ESA affected?**

For **Income related ESA** the rules on payments at the end of a job are the same as they are for Income Support, see above.

**Contribution based ESA** is not affected by most payments including redundancy and severance payments. If you get a pension from work Contribution based ESA is reduced by half of any amount over £85 a week.

### **How do I claim ESA?**

You claim ESA from Jobcentre Plus. They expect most people to claim over the phone: 0800 055 6688. Most people who claim ESA have to attend a medical examination to assess their capability for work.

Contribution based ESA is only paid for you. Income related Employment and Support Allowance can be paid for you and your partner.

ESA is paid at a 'basic' lower rate for the first 13 weeks. Provided you pass the medical assessment you then get an extra amount. This extra amount was stopped for new claims from April 2017.

### **Housing Benefit and Council Tax Reduction**

Housing Benefit (HB) and Council Tax Reduction (CTR) are means tested benefits, administered by local councils to help people on low incomes pay their rent and Council Tax.

Note, as described above, **Universal Credit** has replaced HB for most new claims. UC has not replaced CTR.

You cannot claim HB if you and your partner are under pension age and have capital of more than £16,000. In Newcastle, the local CTR scheme limit is £6,000. If you are pension age or over and entitled to Pension Credit guarantee this capital limit does not apply.

The rules on how HB are affected at the end of a job are similar to Income Support

### **How do I claim Housing Benefit and/or Council Tax Reduction?**

HB and CTR are administered by the City Council. If you are claiming Income related ESA, Income Support, Income based JSA or Pension Credit, your HB claim may be taken at the same time. If you are claiming these benefits with a form, you can complete a short claim form for HB with those benefits. You may be sent the information from the council to verify it. If you are not claiming any of these benefits you can claim HB and CTR directly from the City Council by phone 0191 278 7878 or via the webpage: [www.newcastle.gov.uk/benefits-and-council-tax](http://www.newcastle.gov.uk/benefits-and-council-tax)



If you live with someone who is classed as a non dependant, your HB and CTR may be reduced – but not if for example, certain ‘disability benefits’ are in payment, like Personal Independence Payment.

Further information about Housing Benefit and Council Tax Reduction can be found on the council’s website:

<https://www.newcastle.gov.uk/benefits-and-council-tax/council-tax-support-and-housing-benefit>

## **Pension Credit**

Pension Credit (PC) is a means tested benefit for people of pension age and on low incomes.

Pension Credit has two elements:

- the Guarantee Credit which is like Income Support for people of pension age and over
- the Savings Credit for people aged 65 and over who have 'saved' for retirement above a certain level. This includes income from capital and private and occupational pensions. But it only goes up to certain limits and is reduced as these 'savings' get higher. This savings credit element is being phased out.

There is no upper capital cut off limit for Pension Credit. If you have capital over £10,000 you are classed as having a set amount of ‘tariff income’ per week.

## **How do I claim Pension Credit?**

Pension Credit is administered by the Pension Service. You can claim by phoning the Pension Centre on 0800 99 1234, or download a claim form from the Government website [www.gov.uk/pension-credit/how-to-claim](http://www.gov.uk/pension-credit/how-to-claim)

## **Other benefits**

There are many other benefits which people in particular circumstances may be able to claim, for example benefits for people with disabilities, benefits for carers and benefits for children.

To check what other benefits you may qualify for see our website [www.newcastle.gov.uk/welfarerights](http://www.newcastle.gov.uk/welfarerights)

## Help with your mortgage - a loan

You may get help with some of the interest part of your mortgage payments and certain loans for repairs and improvements, which from 6 April 2018 is a loan rather than an extra payment of benefit, if you qualify for:

- Income based Jobseekers Allowance (IBJSA)
- Income Support (IS)
- Income related Employment and Support Allowance (IRESA)
- Universal Credit (UC)
- Pension Credit Guarantee

You normally have to wait 39 weeks before you can get help with your mortgage interest, or nine consecutive assessment periods for UC. There is no waiting period for Pension Credit. The loan will stop if you stop being entitled to any of those benefits. For IS, IBJSA and IRESA when you and your partner return to work or increase your hours and so count as in full time work there may be a 4 week 'mortgage interest run on'. For UC, if you or your partner, do any amount of paid work the loan stops and possibly, the nine months waiting period starts again. Those who were getting help before 6 April 2018 may get some transitional protection. The amount of the loan may be limited in several ways, for example, where a non-dependant - such as a grown up son or daughter - lives in the house.

## Part time workers and finishing work

If you work part time and get some of the benefits explained here while you are working, there are different rules for how payments when you finish work are treated - seek advice if this applies to you. As described above, Universal Credit has replaced the above means tested benefits and you may get more or less Universal Credit as your wages change.

## Managing your money

If you would like information about managing your money after redundancy or are worried about debt you can find useful information on our website [www.newcastle.gov.uk/welfarerights](http://www.newcastle.gov.uk/welfarerights).

Or seek advice about debt and money management. See below.

## More information

See the Money Advice Service webpages: [Work and redundancy](#) and [Benefits and tax credits when you've lost your job](#).

## Getting help and advice

If you are an employee of Newcastle City Council or you live in Newcastle you can phone these numbers for more information, advice and help:

Benefits. Welfare Rights Service: 0191 2772627 9:30am - 12noon  
Monday to Friday

Debt. Money Matters: 0191 277 1050 8.30am - 4.30pm Monday – Friday

And you can find information about all the independent advice agencies in Newcastle on our website [www.newcastle.gov.uk/benefitcontacts](http://www.newcastle.gov.uk/benefitcontacts)

## This factsheet

Was written by Newcastle City Council Active Inclusion Unit and updated in **November 2018**

More information about the Active Inclusion Service and other help for professionals supporting residents with financial and related matters: [www.newcastle.gov.uk/financialinclusionforprofessionals](http://www.newcastle.gov.uk/financialinclusionforprofessionals)