

**Cyngor Sir
CEREDIGION**



**CEREDIGION
County Council**

**DIRECT EARNINGS ATTACHMENT
AN EMPLOYER'S GUIDE**

An Employers Guide to Direct Earnings Attachments for the Collection of Housing Benefit Overpayments

Contents	Page
1 Direct Earnings Attachments – Introduction	1
1.1 Why is the Council using DEA?	1
1.2 Do employers have to implement DEA for the Council?	1
1.3 What if my payroll software has not been updated to allow for DEA's?	1
2 Direct Earnings Attachments – Background Information	2
2.1 Your responsibilities	2
2.2 Providing information	2
a) From Ceredigion County Council	2
b) To Ceredigion County Council	2
c) To your employee	2
3 What does an employer have to do to operate a DEA?	3
3.1 The notice from the Council	3
3.2 The deductions	3
3.3 The payments to the Council	3
4 What payments are counted as earnings for the purposes of a DEA?	4
5 What are Net Earnings?	4
6 How do I work out the amount to deduct?	5
6.1 When calculating the DEA deductions amount, you must....	5
6.2 Amounts to be deducted by the employer	5
a) The protected earnings level	5
b) Employees who are paid every 2 weeks	6
c) Employees who are paid every 4 weeks	6
d) Holiday Pay	6
e) Rounding	6
f) Administrative costs – what can you charge your employee	6
7 What if you fail to take deductions or make incorrect deductions?	7
8 Your employee has other court orders against them, which has priority?	7
9 What if my employee does not earn enough for me to make the deduction?	8
10 Your employee thinks the amount they owe is wrong	8
11 You employee thinks the amount of the deduction is too much	8
12 What happens once I am operating a Direct Earnings Attachment	8
13 Making payment to Ceredigion County Council	9
13.1 By BACS (Automated Credit Transfer)	9
13.2 Direct Earnings Attachment Payment Schedule	9
13.3 Email us the Direct Earnings Attachment Payment Schedule	10
14 Examples of Direct Earnings Attachment in practice	10
15 Where can I get more information and advice?	10
16 Direct Earnings Attachment – Employee Checklist	11
17 Ceredigion County Council – DEA Payment Schedule	12

1. Direct Earnings Attachments – Introduction

Ceredigion County Council is responsible for recovering money owed to it in respect of debts arising under the Social Security Administration Act 1992.

From April 2013, Local Authorities have been given the power to recover overpaid Housing Benefit by deductions from earnings without the need to apply for a court order. This is done by using a Direct Earnings Attachments (or DEA).

Local Authorities were given this power by The Social Security (Overpayments and Recovery) Regulations 2013. The full regulations can be found on this website - <http://www.legislation.gov.uk/ukxi/2013/384/contents/made> and the extract relevant to this guide can be found at <http://www.legislation.gov.uk/ukxi/2013/384/part/6/made>

1.1 Why is the Council using a DEA?

Not everyone enters into a voluntary repayment agreement. DEAs give us the opportunity to recover overpaid benefits from debtors who are employed if they either refuse to repay, are unable to agree an acceptable repayment plan or who have defaulted on a voluntary repayment arrangement.

1.2 Do employers have to implement a DEA for the Council?

Yes, you have a legal obligation to do so unless you are a micro business (having fewer than 10 employees). In such cases you are not obliged to operate a DEA although you may do so if this is agreed with your employee.

If you fail to comply with your duties, you could be subject, on conviction, to a fine of up to £1000.

1.3 What if my payroll software has not been updated to allow for DEAs?

It may be that your computerised system has not yet been updated to deal with DEAs. The Department for Work and Pensions has been working with the Chartered Institute of Payroll Professionals, Employer Representatives and Payroll Software providers in order to develop the right long term solution but until your software is changed, you will also need to follow the instructions below as well as the general guidance in this document. Once your system is updated, the information on this first page may no longer be needed.

Until your software is updated, if you are using a computerised payroll system and you receive a request to set up a DEA you will need to:

- a) Manually calculate the amount to deduct from earnings. Please see how to do this in the section 'How do I work out the amount to deduct (section 6)?'
- b) Manually check whether there are any other orders currently in place - as the DEA may take priority over these. Please see a full list of the orders and how they may impact on a DEA in the section 'Employee has other Court Orders against them (section 8)'.
- c) In cases where the DEA does take priority over another order, consider whether other orders need to cease or deduction amounts be recalculated
- d) Ensure, in cases where other orders cannot be applied that these are removed manually from the payroll system and subsequently re-instated once a DEA ceases.

2. Direct Earnings Attachments – Background Information

A DEA has its own regulations which follow some of the workings of a Deduction from Earnings Order (DEO) and some workings of an Attachment of Earnings Order (AEO). A DEA does not replace any of these other orders and you may still receive requests to implement deductions for a DEO or AEO.

2.1 Your responsibilities

As an employer, you have a **legal** obligation to:

- implement a Direct Earnings Attachment when we ask you to make deductions from the employee's net earnings
- make payments of the amounts deducted to us by the 19th day of the month following the month the deduction is made
- keep a record of each deduction taken, and the employee from whose earnings it was made
- continue to operate the DEA until Ceredigion County Council advises you to stop, or your employee leaves your employment
- ensure you take the right amount from your employee's earnings each week or month and pay it to us

If you fail to comply with your duties, you could be subject, on conviction, to a fine of up to £1000.

2.2 Providing information

a) From Ceredigion County Council – we will send you a notice asking you to apply a DEA to your employee's earnings. This will include all the information you need to have in order to set up the DEA.

b) To Ceredigion County Council – you have a duty to notify us if:

- We ask you to operate a DEA for someone who does not work for you
- An employee for whom you are operating a DEA leaves your employment
- You are a micro business (having fewer than 10 employees). If you are a micro business you are not obliged to operate a DEA although you may do so if this is agreed with your employee.

You must complete and send the return form to the address shown on the DEA request letter or via email within 10 days of the date of that letter if any of the above applies to you. You should also let us know if your business ceases trading.

c) To your employee – you have a duty to notify your employee in writing of:

- The amount of the deduction taken, including any amount taken for administrative costs (see section 6.2 (f) on administrative costs). If this information is shown on their payslip, it will suffice.
- How that deduction was calculated.

You must do this (and record it) no later than the payday after the one on which the deduction for DEA was taken.

3. What does an employer have to do to operate a DEA?

3.1. The notice from the Council

The Council will send you a letter (officially called a notice) which tells you to apply a DEA for your employee and gives you the information you will need in order to apply it. This includes:

- The name and address and national insurance number of the person from whose wages you will make the deduction.
- If we have it, their staff number, pay roll number or similar identifying number.
- The percentage rates at which deductions are to be made.
- The proportion of their wages which is protected (see section 6.2 (a))
- When to send us payments.
- Details of the account into which the payments are to be transferred if you are paying us by BACS (Automated Credit Transfer).

3.2 The deductions

Once you receive the notice, you will need to check that your employee earns enough to allow a deduction to be made. If he/she does, you then calculate how much to take from their earnings using the information provided by the Council and make the deductions.

3.3 The payments to the Council

Once you have taken the money, you must pay it over to the Council within set time limits. We will ask you to make payments in line with your payroll, so if your employee is paid weekly or monthly, you should pay us at the same time.

However if your employee is paid weekly you must still calculate and deduct the payment every week, but you can pay us 4 weekly if you prefer.

It is your responsibility to ensure you take the right amount from your employee's earnings each week or month and pay it to us.

4. What payments are counted as earnings for the purposes of a DEA?

What Counts as 'earnings' for DEAs	What <u>does not</u> count as 'earnings' for DEAs
Wages	Statutory Maternity Pay
Salary	Statutory Adoption Pay
Fees	Ordinary Statutory Paternity Pay
Bonuses	Additional Statutory Paternity Pay
Commission	Any pension, benefit, allowance or credit paid by DWP, a local authority or HMRC
Overtime Pay	A guarantee minimum pension under the Pensions Scheme Act 1993
Most other payments on top of wages	Amounts paid by a public department of the Government of Northern Ireland or anywhere outside the United Kingdom
Occupational Pensions, if paid with wages or salary	Sums paid to reimburse expenses wholly and necessarily incurred in the course of the employment
Periodic payments by way of compensation for the loss, abolition or relinquishment, or diminution in the emoluments, of an office or employment	Pay or allowances as a member of Her Majesty's forces, other than pay or allowances payable to them by you as a special member of a reserve force
Statutory Sick Pay	Lump Sum redundancy payments and pay in lieu of notice

If the only earnings your employee receives are those in the right hand column, you cannot calculate a DEA deduction. Similarly, if any of these are paid as part of the earnings, they are not to be included as part of the employee's net earnings.

5. What are net earnings?

You must take the amount for the Direct Earnings Attachment directly from your employee's **net** earnings. Net earnings are the earnings left after deduction of:

- Income Tax
- Class 1 National Insurance contributions
- Contributions to a work place pension (including Additional Voluntary Contributions, Free Standing Additional Voluntary Contributions and Stakeholder Pension Contributions)

6. How do I work out the amount to deduct?

6.1 When calculating the DEA deductions amount, you must:

- ensure that your employee has enough net earnings in the pay period for you to calculate a deduction (see tables A & B below).
- check that the correct percentage rate has been applied against those net earnings.
- check that the total of all the deductions does not leave the employee with less than the protected earnings proportion, which is 60% of their total net earnings during the calculating period to which the deduction relates.
- Work out the employee's net earnings (as previously explained in sections 3 and 4).
- Use table A or B (below) to find the right deduction percentage rate for the employee's net earnings.
- Apply the percentage figure against the net earnings figure to calculate the amount to be deducted.

6.2 Amounts to be deducted by the employer

TABLE A: Where earnings are paid weekly

Amount of net earnings	Deduction (Per Cent of net earnings)
Less than £100	Nil
Exceeding £100 but not exceeding £160	3%
Exceeding £160 but not exceeding £220	5%
Exceeding £220 but not exceeding £270	7%
Exceeding £270 but not exceeding £375	11%
Exceeding £375 but not exceeding £520	15%
Exceeding £520	20%

TABLE B: Where earnings are paid monthly

Amount of net earnings	Deduction (Per Cent of net earnings)
Less than £430	Nil
Exceeding £430 but not exceeding £690	3%
Exceeding £690 but not exceeding £950	5%
Exceeding £950 but not exceeding £1,160	7%
Exceeding £1,160 but not exceeding £1,615	11%
Exceeding £1,615 but not exceeding £2,240	15%
Exceeding £2,240	20%

a) The protected earnings level

Please note: the total of all deductions (the DEA plus any other deductions in place) cannot leave the employee with less than the **protected earnings proportion**, which is **60% of their total net earnings** during the calculating period to which the deduction relates.

b) Employees who are paid every 2 weeks

If an employee is paid 2 weekly, the total net wage is divided by 2 and table A is used to check the percentage rate.

c) Employees who are paid every 4 weeks

If an employee is paid 4 weekly, the total net wage is divided by 4 and table A is used to check the percentage rate.

NB: Do not leave an employee with less than 60% of their total net earnings.

d) Holiday Pay

If an employee is paid a wage which includes holiday pay paid in advance, the net wage is averaged, and the percentage rate applied to the average figure. For example:

The employee received one weeks wage and 2 weeks holiday pay.
Total net payment for 3 weeks = £850.

- $£850 \div 3 = £283.33$
- $£283.33 \times 11\% = £31.17$
- Total deduction from the net wage for 3 weeks of £850 = £93.51 ($£31.17 \times 3$).

e) Rounding

The exact amount of the net wage is used against table A & B. If the percentage amount calculated results in a fraction of a penny, it is rounded to the nearest whole penny, with a result of exactly half a penny being rounded down to the nearest whole penny below, as follows:

<ul style="list-style-type: none">• Net wage £235.63 per week• $£235.63 \times 7\% = £16.4941$• Weekly deduction = £16.49	<ul style="list-style-type: none">• Net wage £1547.99 per month• $£1547.99 \times 11\% = £170.278$• Monthly deduction = £170.28
--	--

f) Administrative costs – what you can charge your employee

For each pay period when you calculate the DEA deduction, you may also take up to £1.00* from your employee's earnings towards administrative costs. You can take this even if it reduces the employee's income below the protected earnings proportion.

***Where you decide to apply an administration charge of £1.00, this deduction may bring the employees pay below the National Minimum Wage. Employers should check <https://www.gov.uk/national-minimum-wage/employers-and-the-minimum-wage>, or contact the ACAS helpline for advice.**

It is a criminal offence for employers to not pay someone the National Minimum Wage or National Living Wage.

7. What if you fail to take deductions or make incorrect deductions?

If you fail to take a deduction from the employee's net earnings when you should have or take an incorrect amount you should correct this on the next payday or paydays.

Where the incorrect amount is because the deduction was less than the amount specified under the regulations then you should first:

- deduct the amount required for the current pay period.
- then include the difference between the incorrect and correct amount for the previous period.

Where the incorrect amount is because the deduction was more than the amount specified under the regulations then you should first:

- deduct the amount required for the current pay period.
- then reduce that deduction amount by the excess previously taken.

It is important to note that if a deduction is reduced in any week or month simply because the DEA along with any other orders in place will breach the protected earnings limit of 60% (See example 3 – page 11) this is NOT considered a shortfall as described above.

A shortfall only occurs when an incorrect amount has been deducted in error, or where one or more deductions have been missed.

Please also note that the total to be deducted, including adjustments for an incorrect deduction, along with other deductions in place, must not leave the employee with less than the protected earnings limit of 60% for each pay period.

8. Your employee has other court orders against them, which has priority?

Courts can make orders that mean you must take money directly from your employee's earnings in a similar way to how we ask you to make deductions for a DEA. For example, your employee may have an Attachment of Earnings Order (England & Wales) or a Deduction from Earnings Order (for Child Maintenance). The DEA can be imposed without a court order, but if your employee has any other deduction orders against them there are rules that tell you which money you should take first.

If your employee has one or more of the following in place, they will take priority over a DEA:

a) England and Wales

- Deduction from Earnings Order (DEO) from the Child Maintenance Group (CMG)
- Attachment of Earnings Order (AEO) for Maintenance or Fines
- Council Tax Attachment of Earnings Order (CTAEO)

b) Scotland

- Deduction of Earnings Order (DEO) from CMG
- Earnings Arrestment (EA)

c) Student Loans

A student loan repayment also takes priority over a DEA. This applies to both England & Wales and Scotland.

Once these priority orders have been taken into account in your calculation a DEA will then take priority in relation to other orders or notices **in date order** (in Scotland this will be the date they were received). The amount you can deduct will be subject to the available net earnings above the protected earnings limit of 60% of net earnings.

9. What if my employee does not earn enough for me to make the deduction?

If the weekly or monthly earnings are below the threshold (see table A & B on page 5) you cannot calculate a DEA deduction.

You must tell the Council why a deduction cannot be made by using a Direct Earnings Attachment payments schedule (see section 13.2 for information on this).

You must continue to calculate whether a DEA deduction can be made, each pay period until either we tell you to stop or your employee leaves your employment.

10. Your employee thinks the amount they owe is wrong

If your employee thinks that the amount of money they owe is wrong, you should advise them to urgently contact the Housing Benefit Overpayment Recovery section on the telephone number at the top of the letter they received about the Direct Earnings Attachment. That number is 01970 633252.

11. Your employee thinks the amount of the deduction is too much

If they think that the amount you have calculated is too much, you should first check that the amount being deducted is correct according to table A or B (page 5), on the basis of their earnings and other orders in place. If the amount is correct, you should explain that you have made the deduction as instructed to do so. If they feel that this is too much for them to manage, you should advise them to contact us.

12. What happens once I am operating a Direct Earnings Attachment?

Once you have started operating a DEA, you must continue to make payments to us until we tell you to stop or you have deducted the maximum amount that needs to be recovered from the earnings. We shall contact you when deductions are to cease or if the amount deducted should change.

If there is a change of circumstances which means that you can no longer operate the DEA, you must notify us in writing within 10 days of that change happening. In the first instance though, please telephone us to let us know as we may be able to speed up the administration process.

If you need to tell us about a change like this, please telephone the Housing Benefit Overpayment Recovery section on 01970 633252 or email us on devandcontrol@ceredigion.gov.uk

13. Making payments to Ceredigion County Council

On receipt of a notice to operate a DEA, you must:

- make regular payments to us until we tell you to stop or the maximum amount to be recovered has been taken from your employees earnings.
- pay the amount you have taken from your employee's wages over to Ceredigion County Council as soon as possible, but no later than the 19th day of the month following the month in which you have taken it.

For example, if you take the money on 30th September, you must send it to us before 19th October. If you take the money on 1st October, you must send it to us before 19th November.

13.1 By BACS (Automated Credit Transfer)

This is our preferred method of payment, because of its security and quick clearance times.

When setting up a payment by this method, you will need the following information:

Bank Name:	Barclays Bank, 26 Terrace Road, Aberystwyth, Ceredigion, SY23 2AE
Ceredigion County Council's account name:	Cyngor Sir Ceredigion County Council Income Account
Ceredigion County Council's account number:	53775372
Ceredigion County Council's sort code:	20-18-74
Reference to quote:	IM-DEA

13.2 Direct Earnings Attachment payments schedule

You must send us a Direct Earnings Attachment payments schedule. A blank schedule for you to use and copy as many times as you need has been included in this document leaflet (see page 13) and can also be found on our web page

<http://www.ceredigion.gov.uk/resident/benefits/application-forms/>

The Direct Earnings Attachment payments schedule must include the following details for each person for whom you were asked to make deductions from earnings:

- their full names (forenames and surname).
- The CCC Customer Reference number as shown on the Direct Earnings Attachment you were sent.
- the amount of the deduction (in pounds sterling) that has been deducted or
- the reason why a deduction cannot be made when appropriate

The amount of the automated credit transfer must be the same as the **total** amount of deductions shown on the Direct Earnings Attachment payments schedule.

13.3 E-mail us the Direct Earnings Attachment payments schedule

If you prefer, you can e-mail an electronic copy of the schedule to us at devandcontrol@ceredgion.gov.uk and the payment can follow.

Please include 'DEA notice' in the subject of your e-mail.

14. Examples of Direct Earnings Attachment in practice

Example 1 – A weekly paid earner with no prior attachment orders:

A person with net earnings of £385 per week will have a deduction of £57.75 per week (in accordance with the deduction rates table at 15%).

Example 2 - A weekly paid earner with an existing attachment order for child maintenance

A person with net earnings of £250 per week with an existing attachment order of £60 per week for child maintenance will have a deduction of £17.50 (in accordance with the deduction table at 7%)

Example 3 - A monthly paid earner with existing priority attachment orders.

A person with net earnings of £1620 per month should have a DEA deduction of £243 (in accordance with the deduction table at 15%). However, this deduction in addition to the existing deductions of £486, will breach the protected earnings limit of 60%. The maximum deduction we can make in this instance would be £162.

Calculation

Earnings x 40% = £648 (maximum amount for total deductions)

Existing priority attachment order in place = £486

DEA deduction is = £243

£648 – £486 = £162 (maximum amount available for the DEA deduction)

Therefore, although the deduction rates table states that a deduction of £243 should be taken, the protected earnings limit means that the amount will be restricted to £162.

15. Where can I get more information and advice?

If you need more information about, or help to operate a Direct Earnings Attachment, please telephone Ceredigion County Council's Housing Benefit Overpayment recovery section on 01970 633252.

16. Direct Earnings Attachment – Employers Checklist

A	Does the person named in the notice work for you?	Yes – go to B No – tell the Council within 10 days
B	Are you micro business? (see point 1.2 for guidance)	Yes – contact the Council 01970 633252 No – go to C
C	Are there any orders for deductions already in place that will take priority over the DEA and prevent it being set up? (see point 8 for guidance)	Yes – tell the Council within 10 days No go to D
D	Calculate your employees net earnings for DEA purposes (see point 5 for guidance)	
E	Do they earn enough to allow deductions to be made? (see point 6 for guidance)	Yes – go to F No – tell the Council within 10 days
F	Decide how much of their net earnings will be deducted (see point 6 for guidance)	
G	If you deduct that amount, will they be left with less than 60% of their wages – protected amount? (see point 6.2a for guidance)	Yes – if possible, adjust your deductions level to leave them with 60% of their earnings OR within 10 days tell the Council that no deductions can be made No – go to H
H	Make sure the total amount deducted through this and previous deductions is not more than the total amount stated in the notice	
I	Make the necessary arrangements to your payroll for the deduction to be made	
J	Notify your employee of the amount to be deducted no later than the pay day on which the deduction is made	
K	Pay the amount deducted from your employee's earnings to the Council no later than the 19 th day of the month following the month in which the deduction was made Send the Council a Direct Earnings Attachment payments schedule with details of the payment (see point 13 for guidance)	

Cyngor Sir CEREDIGION County Council



Direct Earnings Attachment - Payment Schedule

To: Ceredigion County Council	From Employer:
HB Overpayment Section (D&C) Canolfan Rheidol Rhodfa Padarn Aberystwyth Ceredigion SY23 3UE	

Please provide details of employees who have had Direct Earnings Attachment deductions made from their earnings:

Item	Amount	Employees Full Name	Staff / Reference Number	NINO	CCC Reference Number
1	£				
2	£				
3	£				
4	£				
5	£				
If a deduction cannot be made, please provide employee details and state reasons why.					

Employer and payment details:

Total payment covered by this sheet:	£	Date of BACS Payment:	
Name of person completing this sheet:			
Contact phone number:		Date sheet completed:	

This schedule **must** be completed whenever you send a payment for one or multiple employees. Please see reverse for details on how to pay.

How to Pay

BACS payment details:

Bank Name	Barclays Bank, 26 Terrace Road, Aberystwyth, Ceredigion, SY23 2AE
Ceredigion County Council's account name	Cyngor Sir Ceredigion County Council Income Account
Ceredigion County Council's account number	53775372
Ceredigion County Council's sort code	20-18-74
Reference to quote	IM-DEA

Important

The amount of the Automated Credit Transfer (BACS) payment must be the same **total** as the amount of the deductions shown on the Direct Earnings Attachment payments schedule overleaf.