



Direct Earnings Attachments for the collection of Housing Benefit Overpayments

An Employer's Guide

Working in partnership, to create a Borough which enables the communities of Dacorum to thrive and prosper

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

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1. Direct Earnings Attachments – introduction

Dacorum Borough Council is responsible for recovering money owed 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 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>

1.1 Why is the Council using 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 covered by the following:

If you are a Micro business you are only exempt if you were in existence before the legislation in April 2013, unless you were a new business before the period ran out for new businesses on 31st March 2014, in which case you keep the exemption until your company grows as per the growth described below:

‘In summary existing micro businesses (those existing before to 8 April 2013) remain exempt until such time as for the majority of a 6 month period they employ 10 or more people. When for the majority of a 6 month period they employ 10 or more people, the exemption will end 6 months from the date that they first had 10 or more employees.’

10 or more people is described in the legislation Schedule 1 Part 6 as TH/37.5 where TH = Total Hours.

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.

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 record of each deduction taken and the employee from whose earnings it was made.
- Continue to operate the DEA until Dacorum Borough 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 Dacorum Borough 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 Dacorum Borough 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 new business (which starts between 8 April 2013 and 31 March 2014), or a micro business (having fewer than 10 employees), as defined in the Regulations. If you are a new or 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 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

- The amount of the deduction taken, including any amount taken for administrative costs. (see section 6.2 (f) on administrative costs). If this 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 the 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, payroll number or similar identifying number.
- The percentage rate 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.
- The address to which you are to send the payments if you are going to pay by cheque.
- Details of the account into which the payments are to be transferred if you are paying us by direct 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 guaranteed 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	Sum 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 any 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 warnings 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 points 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 week's 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:

- Net wage £235.63 per week
- $£235.63 \times 7\% = £16.4941$
- Weekly deduction = £16.49
- 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 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.

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 regulation 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 14) 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 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:

England & 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)

Scotland

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

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 notice **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 7) 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 13.3 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 Customer Accounts team on the telephone number at the top of the letter they received about the Direct Earnings Attachment. That number is 01442 228000.

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 8), 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 in writing with 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 Customer Accounts Team on 01442 228000 or email us on customer.accounts@dacorum.gov.uk

13. Making payments to Dacorum Borough 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 Dacorum Borough 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:

Dacorum Borough Council Bank Sort Code	60 – 10 - 33
Dacorum Borough Council Bank Account Number	12441945
Account Name	Dacorum Borough Council
Employees LA Reference Number	This will be shown on the DEA notice you will be sent.
If the payment is for one employee, enter the employees LA reference number. If the payment covers multiple employees, enter 'DEA'.	

If you are paying by BACS, you will need to send a Direct Earnings Attachment payment schedule to us so we know who the payment refers to. Please see point 13.3 for instructions about this.

13.2 Paying by cheque

If you need to pay by cheque, please make it payable to ‘**Dacorum Borough Council**’ and write the employee’s LA reference on the back of the cheque.

Please send the cheque to:

Dacorum Borough Council
Customer Accounts
The Forum
Marlowes
Hemel Hempstead
HP1 1DN

If you are paying by cheque, you will need to attach a Direct Earnings Attachment payment schedule to the cheque so we know who the payment refers to. Please see point 13.4 for instructions about this.

13.3 Direct Earnings Attachment payments schedule

For payments by BACS (Automated Credit Transfer) or cheque you must send us a Direct Earnings Attachment payments schedule. A blank schedule for you to use copy as many times as you need has been included in this document leaflet (see page 16).

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).
- Their LA Reference Number as shown on the DEA notice 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 or cheque must be the same as the total amount of deductions shown on the Direct Earnings Attachment payments schedule. Please do not send cash through the post.

13.4 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 customer.accounts@dacorum.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 is £162.

Calculation

Earnings x 40% = £648 (maximum amount for total deductions) Existing priority attachment order in place = £486

DEA deduction = £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 Dacorum Borough Council's Customer Accounts team on 01442 228000.

16. Direct Earnings Attachment – Employers Checklist

1	Does the person named in the notice work for you?	Yes – go to 2 No – tell the Council within 10 days
2	Are you a new or Micro business?	Yes – Contact the Council 01442 228000 No – go to 3
3	Are there any orders for deductions already in place that will take priority over the DEA and prevent it being set up?	Yes – Tell the Council within 10 days No – go to 4
4	Calculate your employees net earnings for DEA purposes (see point 5 for guidance)	
5	Do they earn enough to allow deductions to be made? (see point 6 for guidance)	Yes – go to 6 No – tell the Council within 10 days
6	Decide how much of their net earnings will be deducted (see point 6 for guidance)	
7	If you deduct that amount, will they be left with less than 60% of their wages – the protected amount? (see 6.2a for guidance)	Yes – If possible, adjust your deductions level to leave them with 60% of their net earnings OR within 10 days, tell the Council that no deduction can be made. No – go to 8
8	Make sure the total amount deducted through this and previous deductions are not more than the total amount stated in the notice.	
9	Make the necessary arrangements to your payroll for the deduction to be made.	
10	Notify your employee of the amount to be deducted no later than the payday on which the deduction is made.	
11	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. If paying by BACS or cheque, send the Council a Direct Earnings Attachment payment schedule with details of payment (see point 13 for guidance).	