

DIRECT EARNINGS ATTACHMENTS

An Employer's Guide

www.rotherham.gov.uk

DIRECT EARNINGS ATTACHMENT

Introduction

As an employer, you may be asked to deduct any benefit overpayments an employee owes to Rotherham Metropolitan Borough Council (RMBC) from their pay.

It is a new scheme called a 'Direct Earnings Attachment' (DEA).

If any of your employees are affected, RMBC will write to you and ask you to operate the scheme.

No payroll software changes have been introduced yet and you will have to **make manual calculations**, although you are able to take an administration charge of £1.00 from your employee to compensate for your time.

You currently don't have to operate DEA if:

- you started your business between 8 April 2013 and 31 March 2014
- you have fewer than 10 employees

Please read – Very Important Information

From 8 April 2013 Direct Earnings Attachments (DEAs) are being introduced to recover money owed for overpaid Benefits, to either the Department of Work And Pensions (DWP) or Local Authorities.

Employers are being asked to operate a DEA to make deductions directly from an employee's earnings. Full details about how to do this are contained in this Employer's Guide.

If you are using a computerised payroll system and you receive a request to set up a DEA you will need to;

1. Manually calculate the amount to deduct from earnings – **please see how to do this in the section 'How do I calculate the amount to deduct?'**
2. 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'.**
3. In cases where the DEA does take priority over another order, consider whether other orders need to cease or deduction amounts be recalculated
4. Ensure, in cases where other orders cannot be applied that these are removed manually from the payroll system and subsequently reinstated once a DEA ceases.

If you require any further information or help in operating a DEA, please contact Account Management on 01709 336071.

AN EMPLOYERS GUIDE

What this leaflet is about

This leaflet explains what you, as an employer, need to do if we ask you to implement a Direct Earnings Attachment. It tells you:

- How to operate and make payments for a Direct Earnings Attachment, and
- What your legal responsibilities are.

This leaflet is intended to help you understand the main points about Direct Earnings Attachments. It is not a full description or statement of the law.

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INTRODUCTION TO DIRECT EARNINGS ATTACHMENTS

Rotherham Metropolitan Borough Council (RMBC) is responsible for recovering money owed to the State as a result of debt arising under the Social Security Administration Act 1992.

Where the Authority administering Housing Benefit has been unable to recover money owed by customers who are not currently in receipt of benefit that money may be recovered by deduction from the customer's earnings.

The Welfare Reform Act 2012, which became law in March 2012, allows RMBC Account Management to ask you, as an employer, to make deductions directly from a customer's earnings. We do this by asking you to operate a **Direct Earnings Attachment (DEA)**. We do not have to go through the civil courts to do this, unlike the Attachment of Earnings Order (AOE) process, for example.

Within the Welfare Reform Act, the legislation covering DEAs, part of the **Social Security (Overpayment and Recovery) Regulations 2013**, came into force on 8 April 2013.

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 in some circumstances employers may receive requests to implement deductions for a DEO and a DEA for the same employee.

You may be familiar with a DEO if you have ever been ordered to make deductions from an employee's earnings or pension for the Child Maintenance Group (CMG) (previously known as the Child Maintenance and Enforcement Group (CMEC), or the Child Support Agency (CSA)), as a way of collecting child maintenance from a non-resident parent.

Your responsibilities

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

- implement a Direct Earnings Attachment when we ask you to by making deductions from the employee's net earnings, i.e. after deduction of:
 - income tax
 - class 1 contributions
 - amounts deductible by way of contributions to a work place pension scheme which provides payment of annuities or lump sums
- to the employee on retirement at a specified age or on becoming incapacitated at an earlier age
- on the employee's death, to the personal representative, widow, surviving civil partner, relatives or dependants
- make payments 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 RMBC advise you to stop or your employee leaves

If you fail to comply, you may be subject, on conviction, to a fine of up to £1,000.

Providing information

To RMBC – 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), as defined in the Regulations. 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 write to us at the address shown on the DEA request letter within 10 days if any of the above applies to you.

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 on Administrative Costs). If this information is shown on the payslip, it will suffice.

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

You should also let us know:

- if your business ceases trading.

If you have any problems or queries in setting up the DEA, please contact Account Management on 01709 336071.

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.

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

Net Earnings

You must take the amount for the Direct Earnings Attachment directly from your employee's net earnings.

(Net) earnings are the amounts the employee earns after taking off income tax, National Insurance and contributions to a pension, including Additional Voluntary Contributions, Free Standing Additional Voluntary Contributions and Stakeholder Pension Contributions).

The definition of earnings for DEAs

The table below lists what counts and what does not count as earnings.

What counts as 'earnings' for DEAs	What does not 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 Social Security Act Pensions Act 1975
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
Compensation payments	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	Redundancy payments and pay in lieu of notice

How do I operate a DEA?

We will send you a letter (notice) which tells you to apply a DEA for your employee. This notice will include a payment schedule which will inform you of:

- when to send us payments
- where to send us payments
- how you can pay us

We will include the **National Insurance number** of our customer on all our letters we send to you.

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 weekly, but you can pay us monthly 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.

When you calculate the DEA deduction amount, you must:

- ensure that your employee has enough net earnings in the pay period for you to calculate a deduction (see table A & B on the following page)
- check that the correct percentage rate has been applied against those net earnings
- check that the total of all 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**

If there are already other priority orders in place, please refer to the examples on the following pages.

How do I calculate the amount to deduct?

- work out the employee's net earnings as defined previously
- use table A/B to find the deduction percentage rate for the employee's net earnings
- use the percentage figure against the net earnings figure to calculate the amount to be deducted

Table of amounts to be deducted by employer

TABLE A: Where Earnings are Paid Weekly	
Amount of Net Earnings	Deduction (% of Net Earnings)
Less than and exactly £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 (% of Net Earnings)
Less than and exactly £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

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.

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.

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, as follows:

Employee receives one weeks wage and 2 weeks holiday pay.

Total net payment for 3 weeks = £850.

$£850/3 = £283.33$

$£283.33 \times 11\% = £31.17$

Total deduction from net wage of £850 = £93.51 ($£31.17 \times 3$).

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

Administrative costs

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.

Failure to take deductions or incorrect deductions made

If you fail to take a deduction from the employee's net earnings when it is appropriate to make a deduction, 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

Please 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.

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 the deductions 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 other orders in place will breach the protected earnings limit of 60 % (Example 3 refers) this is NOT a shortfall as described above.

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

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 totalling £486.

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

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) you cannot calculate a DEA deduction.

But you must continue to calculate a DEA deduction, if applicable, each pay period until either we tell you to stop or your employee leaves your employment. This will ensure that deductions are made if wages increase.

Making payments to RMBC

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

- make regular payments to us until informed by us to stop
- pay the amount you take from your employee's wages to Rotherham Metropolitan 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 30 September, you must send it to us before 19 October; if you take the money on 1 October, you must send it to us before 19 November).

QUESTIONS & ANSWERS

Q) Employee has other court orders against them?

- A)** 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. Your employee may have an Attachment of Earnings Order (England & Wales), Earnings Arrestment (Scotland) or a Deduction from Earnings Order (for Child Maintenance), for example. 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, these will take priority over a DEA:

England & Wales

Deduction from Earnings Order (DEO) from 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 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.

Q) Employee thinks the amount they owe is wrong?

- A)** If your employee thinks that the amount of money they owe is wrong, you should advise them to contact us on the telephone number at the top of the letter they received about the Direct Earnings Attachment.

Q) Employee thinks the amount of the deduction is too much?

- A)** If they think that the amount you have calculated is too much, you should first check that the amount being deducted is the amount directed by DWP according to table A or B, 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.

Q) What happens once I am operating a Direct Earnings Attachment?

- A)** Once you have started operating a DEA, you must continue to make payments to us until we tell you stop. We shall contact you when deductions are to cease.

If there is a change in circumstances which means that you can no longer operate the DEA, you must notify us in writing within 10 days.

Q) Where can I get more information?

- A)** If you need more information about, or help to operate a Direct Earnings Attachment, please ring Account Management on 01709 336071.

HOW TO PAY

By Internet

You can use your debit or credit card to make payments on-line. Our address is to **www.rotherham.gov.uk/pay**

You will need to quote the relevant Housing Benefit Invoice Number and your debit or credit card details. We are not able to accept American Express or Diners cards.

We apologise for any inconvenience this may cause.

By Post

Finance & Customer Services, Income Team, Riverside House, Main Street, Rotherham, S60 1AE

Cheques should be made payable to Rotherham

Metropolitan Borough Council. Please quote the relevant Housing Benefit Invoice Number and write this on the back of your cheque or postal order

along with your name and address. A receipt will not be posted unless specifically requested and a stamped addressed envelope is provided with your payment.

DO NOT send cash in the post. **Third Party**

Cheques and Post.

By Your Bank

You may make payments using the BACS system

which you will need to arrange with your bank. Please quote the relevant Housing Benefit Invoice Number and make payments to Lloyds Bank,

Sort Code: 30-80-12

Account Number: 26467460

You MUST email a remittance advice to: **income@rotherham.gov.uk** with the relevant invoice numbers you are paying.

By Telephone

You can use your Debit or Credit Card to make a payment by calling the 24 hour telephone line (01709 336810) and following the instructions provided.

CONTACT US

If you have any queries regarding the Direct Earnings Attachment please telephone Account Management on 01709 336071 or send an email to **recovery@rotherham.gov.uk**. Alternatively, you may prefer to send in your query in writing to the following address:

Rotherham Metropolitan Borough Council
Revenues & Benefits
Account Management
Floor 3C, Riverside House
Main Street
Rotherham
S60 1AE