

Annex A Care Proceedings Scheme – How the fees were calculated

The following document details the method of calculation for Care and Supervision fees.

Level 1 Fee

The fee for level 1 has been calculated on the basis that all cases at this level will receive one fixed fee, except for those cases whose costs exceed 3 times this fixed fee.

The dataset used to calculate the level 1 fee was the set of all controlled cases from the financial year 05/06.

The fee was defined as being the average of the sum of the Profit Costs and Counsel Fees of all of those cases up to and including the highest cost case such that the next highest cost case, and therefore all cases exceeding this cost, was greater than or equal to the average multiplied by our exceptional case multiplier of 3.

Level 2 Fee

The level 2 fee was set as being the value of 6 hours' work at a national rate of £57.87 per hour, exclusive of VAT. This rate is a composite of current CLR hourly rates, weighted to take into account the volume of cases both inside and outside London, as detailed below.

Region	Current CLR Hourly Rate	Volume of Cases
London	£61.20	3,206
Outside of London	£57.25	17,291

$$\begin{aligned} \text{Composite Rate} &= \frac{(\text{£}61.20 * 3,206) + (\text{£}57.25 * 17,921)}{(3,206 + 17,921)} \\ &= \text{£}57.87 \end{aligned}$$

This leads to a rounded level 2 fee of £347 (£407.73 inclusive of VAT).

Half of the total cost of level 2 (~ £2.39M) was removed from the fund for level 3 parent cases, the remainder is additional money introduced on the basis that in the future this will result in a reduction in the number of cases heard at court, or a narrowing of issues, that reduces costs.

Level 3 Fee

The dataset used to calculate the level 3 fees was the set of all licensed cases from the financial year 05/06.

Throughout the following description, the following parameter and variable declarations are used:

Parameters –

h	= Uplift for cases heard in the High Court	(= 33%)
c	= Uplift for child cases involving more than one child	(= 50%)
p	= Uplift for parent cases involving more than one parent	(= 25%)
a _J	= % of costs to be allocated to advocacy - joined parties	(= 24.85%)*
a _C	= % of costs to be allocated to advocacy – children	(= 32.02%)*
a _P	= % of costs to be allocated to advocacy – parents	(= 21.95%)*

Variables –

F _H	= Fee for cases in High Court (for 1 client if applicable)
F _O	= Fee for cases in other Courts (for 1 client if applicable)
F _{H2}	= Fee for cases in High Court for more than 1 client (if applicable)
F _{O2}	= Fee for cases in other Courts for more than 1 client (if applicable)

* We have earmarked a percentage of the Care and Supervision budget to be used as part of the Litigator standard fee scheme, due for implementation in April 2008.

The cases were grouped according to the four 'super regions', and the fees calculated for each of these as follows:

Joined Party

The joined party level 3 fee has been calculated on the basis that all cases at this level will receive one of two fixed fees, depending on whether they are heard in the high court or not. Exceptions will be those cases whose costs exceed 2 times the relevant fixed fee.

The dataset was split into two subgroups dependant on whether the cases were heard in the High Court (Group 1) or other courts (Group 2).

After fee calculations, these groups will each contain non exceptional and exceptional cases.

We defined:

B	=	Sum of profit costs for non exceptional cases in Group 1
	+	Sum of profit costs for non exceptional cases in Group 2
	*	(1 – a _J)
V _H	=	Volume of non exceptional cases in Group 1
V _O	=	Volume of non exceptional cases in Group 2

For cost neutrality, the following formula must be satisfied:

$$B = F_O V_O + F_H V_H \quad (1)$$

We also know that the following formula is true:

$$F_H = F_O(1 + h) \quad (2)$$

Substituting (2) into (1) and rearranging gives:

$$F_O = \frac{B}{V_O + V_H(1 + h)} \quad (3)$$

F_O and F_H were defined as being the highest possible solutions to formulae (2) and (3) above such that the next highest cost case, and therefore all cases exceeding this cost, in each group was greater than or equal to the resulting fee multiplied by our exceptional case multiplier of 2.

Parent

The parent level 3 fee has been calculated on the basis that all cases at this level will receive one of four fixed fees, depending on whether they are heard in the high court or not and whether they involve one, or more than 1, parents. Exceptions will be those cases whose costs exceed 2 times the relevant fixed fee. Cases involving more than one parent will attract an uplift (p) of 25% over those cases involving one parent.

The single client parent fees were created in the same way as those for joined party cases, with the exception that half of the level 2 fee for parent cases was removed from the profit costs for each case before calculation.

The dataset was split into two subgroups dependant on whether the cases were heard in the High Court (Group 1) or other courts (Group 2).

After fee calculations, these groups will each contain non exceptional and exceptional cases.

We defined:

V_H	=	Volume of non exceptional cases in Group 1
V_O	=	Volume of non exceptional cases in Group 2
B	=	(Sum of profit costs for non exceptional cases in Group 1
	+	Sum of profit costs for non exceptional cases in Group 2)
	*	(1 - a_P)
	-	Funding for level 2

For cost neutrality, the following formula must be satisfied:

$$B = F_O V_O + F_H V_H \quad (1)$$

We also know that the following formula is true:

$$F_H = F_O(1 + h) \quad (2)$$

Substituting (2) into (1) and rearranging gives:

$$F_O = \frac{B}{V_O + V_H(1 + h)} \quad (3)$$

F_O and F_H were defined as being the highest possible solutions to formulae (2) and (3) above such that the next highest cost case, and therefore all cases exceeding this cost, in each group was greater than or equal to the resulting fee multiplied by our exceptional case multiplier of 2.

The multiple client fees were then calculated by multiplying these fees through by the uplift for parent cases involving more than one parent, that is:

$$F_{O2} = F_O(1 + p)$$

$$F_{H2} = F_H(1 + p)$$

Child

The child level 3 fee has been calculated on the basis that all cases at this level will receive one of four fixed fees, depending on whether they are heard in the high court or not and whether they involve one, or more than 1, child. Exceptions will be those cases whose costs exceed 2 times the relevant fixed fee. Cases involving more than one parent will attract an uplift (c) of 50% over those cases involving one child.

The dataset was split into four subgroups dependant on whether the cases were heard in the High Court or other courts, and whether they involved one child or multiple children. The groups were assigned as follows:

- Group 1 – High Court cases involving 1 child
- Group 2 – High Court cases involving multiple children
- Group 3 – Other Court cases involving 1 child
- Group 4 – Other Court cases involving multiple children

After fee calculations, these groups will each contain non exceptional and exceptional cases.

We defined:

- V_H = Volume of non exceptional cases in Group 1
- V_{H2} = Volume of non exceptional cases in Group 2

$$\begin{aligned}
V_O &= \text{Volume of non exceptional cases in Group 3} \\
V_{O2} &= \text{Volume of non exceptional cases in Group 4} \\
B &= (\text{Sum of profit costs for non exceptional cases in Group 1} \\
&+ \text{Sum of profit costs for non exceptional cases in Group 2} \\
&+ \text{Sum of profit costs for non exceptional cases in Group 3} \\
&+ \text{Sum of profit costs for non exceptional cases in Group 4}) \\
&* (1 - a_c)
\end{aligned}$$

For cost neutrality, the following formula must be satisfied:

$$B = F_O V_O + F_H V_H + F_{O2} V_{O2} + F_{H2} V_{H2} \quad (1)$$

We also know that the following formulae are true:

$$F_H = F_O(1 + h) \quad (2)$$

$$F_{O2} = F_O(1 + c) \quad (3)$$

$$\begin{aligned}
F_{H2} &= F_{O2}(1 + h) \\
&= F_O(1 + h)(1 + c)
\end{aligned} \quad (4)$$

Substituting (2),(3) and (4) into (1) and rearranging gives:

$$F_O = \frac{B}{V_O + V_{O2}(1 + c) + V_H(1 + h) + V_{H2}(1 + h)(1 + c)} \quad (5)$$

F_O , F_{O2} , F_H and F_{H2} were defined as being the highest possible solutions to formulae (2), (3), (4) and (5) above such that the next highest cost case, and therefore all cases exceeding this cost, in each group was greater than or equal to the resulting fee multiplied by our exceptional case multiplier of 2.

We then adjusted the level 3 fees upwards (such that there is a potential increase, if all assumptions were correct of 2.1% on overall expenditure) because:

- There are unavoidable uncertainties associated with the assumptions that we have made throughout the modelling process and we have erred on the side of caution by increasing the fees to compensate for any possible adverse effects of these uncertainties.

- We expect some previously excluded exceptional cases to come into the scope of the scheme as a result of not allowing uplifts to count towards the case being exceptional