



## DENTAL PRACTICE BOARD

### Annual Report and Accounts 2005-2006

*Presented to Parliament pursuant to Section 98 (1C) of the National Health Service Act 1977*

*Ordered by the House of Commons to be printed 19 July 2006*



INVESTOR IN PEOPLE



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## ANNUAL REPORT

This report brings together in one document the final accounts of the Dental Practice Board together with the Annual Report from the Board in respect of the financial year 2005-2006.

The Dental Practice Board was dissolved on 31 March 2006. Preparation of the final accounts for the year ended 31 March 2006 is the responsibility of the NHS Business Services Authority which is the Residual Body for the Dental Practice Board.

The accounts for the year ended 31 March 2006 have been prepared in accordance with a direction given by the Secretary of State dated 22 February 2006 under section 98(2) of the National Health Service Act 1977 and in a format as instructed by the Department of Health with the approval of Treasury.

### History and Dissolution of the Dental Practice Board

The Dental Practice Board was set up under its previous name of the Dental Estimates Board by the National Health Service Act 1946. It operated under the National Health Service Act 1977 (as amended) and regulations made under that Act. The new name for the Board took effect in 1990 as a result of the Health and Medicines Act 1988. The statutory duties of the Dental Practice Board are set out in the National Health Service Act 1977 and an extract from S.37 states:

*... for constituting a Board, to be called the Dental Estimates Board, of whom the Chairman and a majority of the members shall be dental practitioners providing general dental services.*

On 20 November 2003 the Health and Social Care (Community Health and Standards) Act 2003 which provides for the abolition of the Dental Practice Board under section 181 received Royal Assent. The notes associated with the Act indicated that the assets, liabilities and staff (subject to consultation) would be transferred under Section 11 of the National Health Service Act 1977 to a new Special Health Authority.

In October 2003 the Secretary of State announced the intention to review the Department of Health's Arm's Length Bodies of which the Dental Practice Board was one. Subsequently a detailed report 'Reconfiguring the Department of Health's Arm's Length Bodies' was published which detailed the bodies that would merge, be abolished or see their functions transferred. This was followed in November 2004 by the publication of "An Implementation Framework for reconfiguring the Department of Health's Arm's Length Bodies", setting out the principles, processes and timescales by which the change programme would be implemented. As a result the Dental Practice Board was dissolved on 31 March 2006 and its functions were transferred to the NHS Business Services Authority with effect from 1 April 2006. The NHS Business Services Authority is a Special Health Authority created on 1 October 2005.

All assets, liabilities and staff of the Dental Practice Board transferred to the NHS Business Services Authority on 1 April 2006 and as the transfer of activities was between NHS bodies they are not considered as 'discontinued'. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the Dental Practice Board's final financial statements.

### Principal Activities

The main purpose of the Dental Practice Board as set out in the 2001 Strategic Review was:

*... to contribute to improved dental health services by providing first class, cost effective services in payment processing, information analysis, clinical monitoring and probity assurance.*

The principal functions for the year 2005-2006 covering England and Wales were:

- approval of the fee claims, and applications for the prior approval of treatment, from dental practitioners and the calculation and transfer of payments;
- provision of dental health information;
- monitoring the quality of dental treatment prescribed and provided; and
- preventing and detecting fraud and abuse.

## Going Concern

As outlined earlier in this report all assets, liabilities and staff of the Dental Practice Board transferred to the NHS Business Services Authority on 1 April 2006 and it has been considered appropriate to adopt a going concern basis for the preparation of the Dental Practice Board's final financial statements.

The balance sheet at 31 March 2006 shows net liabilities of £5.3 million (31 March 2005 £2.2 million). The figure shown at 31 March 2006 includes liabilities falling due in future years which, to the extent that they are not to be met from other sources of income, may only be met by future direct funding from the Department of Health. This is because, under the normal conventions applying to parliamentary control over income and expenditure, payments may not be made by the Department of Health in advance of need.

Funding for 2006-2007, taking into account the amounts required to meet the Dental Practice Board's liabilities, as passed to the NHS Business Services Authority, falling due in that year, has already been included in the Department of Health's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming.

## Directors

The Board of Directors was normally comprised of one executive member, the Chief Executive, John Taylor BA Hons MBA CMgr FCMI, and seven non-executive members including the Chairman.

The six non-executive members who served in the financial year were:

Mary Wyllie BDS DDPH RCS (Eng) - Chairman  
Ruby Austin MBE MGDS RCS (UK)  
Carol Ferguson MA CA  
David Ferns BDS  
Sandeep Lakhanpaul BDS  
Derek Spratt BA

A seventh non-executive member was not appointed in view of the planned dissolution of the Dental Practice Board.

There were two committees reporting directly to the board. These were the:

- Audit and Risk Management committee
- Remuneration committee

The members of the Audit and Risk Management committee were Mary Wyllie, Carol Ferguson, David Ferns and Derek Spratt.

In addition Board members were represented at a number of meetings including Project Boards for the Modernising NHS Dentistry Agenda and transition to the NHS Business Services Authority. These Unit Boards reviewed the activities of the key business areas of Information and Probity, Finance and Operations and the Dental Reference Service, the Technology Policy Group and the Organisational Policy Group.

The register of directors' interests is now held by the NHS Business Services Authority and details may be obtained by contacting the Acting Managing Director of the Dental Practice Division.

## Directors' Remuneration

Details of the directors' remuneration is included in the remuneration report on pages 7 to 9.

## Pension costs for current staff

The treatment of pension liabilities and relevant pension scheme details are set out in the accounting policies note 1.9 on pages 22 and 23, in the remuneration report on pages 7 to 9 and in note 2.2 on page 25.

## **Board's and Accounting Officer's responsibilities**

A statement of the Chief Executive's responsibilities as the Accounting Officer and Board's responsibilities are set out on page 10. The Chief Executive and Directors of the Dental Practice Board prepared a handover pack for the Accounting Officer of the NHS Business Services Authority in March 2006 to provide assurance that their responsibilities to 31 March 2006 had been properly discharged.

## **Accounting Officer's disclosure to the auditors**

As far as the Accounting Officer is aware, there is no relevant audit information of which the Dental Practice Board's auditors are unaware and the Accounting Officer has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that the Board's auditors are aware of that information.

## **Principal Risks and Uncertainties**

The Dental Practice Board was in a period of significant change and faced a number of risks in the year to 31 March 2006. The major risk was not being able to meet the new requirements to pay NHS dentists from 1 April 2006. The Statement on Internal Control on pages 11 to 13 sets out the processes used to identify and manage risks. These processes were in place throughout the financial year.

## **Disabled Employees**

The policy of the Dental Practice Board was to ensure that ability to do the job is the sole criterion for recruitment or advancement consistent with the principle of fair and open competition. Disabled employees had equal opportunities for training to develop new skills and advance their careers.

## **Equal Opportunities**

The Dental Practice Board was an equal opportunities employer and was recognised as an Investor in People. This means that all employees had equal opportunity for employment and advancement. There was no difference in treatment based on colour, race, national origins, sex, marital status, sexual orientation, religion, politics, age or union affiliation.

## **Health, Safety and Welfare at Work**

The Dental Practice Board recognised and accepted its responsibilities for the health, safety and welfare at work of its employees.

The promotion of health, safety and welfare at work was an integral function and responsibility of executive management and specialists were available to assist and advise them. A regular system of staff consultation was maintained. Minutes of consultative meetings together with agreed policies and responsibilities were available to all staff on the Dental Practice Board Intranet. Health, safety and welfare at work were continually assessed as part of the Dental Practice Board's Controls Assurance Management System, the details of which are outlined in the Statement on Internal Control.

## **Consultation with employees**

A Joint Staff Consultative Committee met regularly throughout the financial year with sub-committees specifically for health and safety, staff welfare and restaurant facilities and training. Staff representatives participated in management project boards set up to manage major changes including the Modernising NHS Dentistry Agenda and transition to the NHS Business Services Authority.

## **Environment**

The major impact of the Dental Practice Board on the environment lay in the disposal of low-grade clinical waste, the use of utilities, consumption of paper and general waste to landfill. To manage these items there were organisational objectives in place to reduce consumption and generated waste and ensure recycling whenever

possible. Environmental considerations were included in all procurement decisions so as to only purchase from sustainable resources where practical.

### **Major Incident Plan**

The Dental Practice Board had a major incident plan in place which is fully compliant with “Handling Major Incidents: An Operational Doctrine” and accompanying NHS guidance on major incident preparedness and planning.

### **Freedom of information**

The Dental Practice Board adopted a publication scheme on 4 September 2002.

Since the Freedom of Information Act 2000 came into effect on 1 January 2005 there have been eighteen requests received of which 10 came from journalists. Information was provided for all but three of the requests, two under section 21 - The information was reasonably accessible to the applicant by other means and one under section 31 - Law Enforcement.

### **Welsh Language**

The Dental Practice Board successfully continued to meet the requirements of its Welsh Language Scheme during the year and to correspond with Welsh patients bi-lingually.

### **Quality Standards**

The British Standards Institute in their continuing assessment visit report confirmed certification for OHSAS 18001, ISO 14001 and ISO 9001: 2000 as part of an Integrated Management system. Recertification was given for the complaints management standard and confirmation of continuing compliance with the Information Security Management Standard BS 7799. Following an assessment, recommendation for certification to ISO 15000 IT Service Management was also given.

### **Complaints Management**

The Dental Practice Board was registered with the British Standards Institute for CMSAS 86: 2000 Complaints Management. 109 complaints were received in the year. The most frequent related to payments allowable under Determinations 3, 4, 5 and 9 of the Statement of Dental Remuneration. All complainants were subsequently surveyed and feedback used to assess current procedures and improve them.

### **Political and charitable donations**

No political or charitable donations were made during the year. The Dental Practice Board had no powers to make these donations.

### **Payment Policy**

The Dental Practice Board applied the Better Payment Practice Code and exceeded the NHS target of 95% paid within 30 days for both Commercial and NHS suppliers (Reference note 2.3 on page 25).

### **Audit**

The Comptroller and Auditor General is appointed by statute to audit the Dental Practice Board. The audit fee for the year ended 31 March 2006 of £98,000 is for the audit of these accounts and the audit of the General Dental Services (England and Wales) and Personal Dental Services (England). There was no remuneration paid to the auditors for non-audit work during the year.

## MANAGEMENT COMMENTARY

The work of the Dental Practice Board during the year to the 31 March 2006 required service continuity to be maintained, preparations for the new NHS Dental Contract arrangements and method of paying dentists from 1 April 2006 to be made, whilst preparing for and delivering the transfer of functions to the NHS Business Services Authority bringing about a managed closure on 31 March 2006.

Preparations for the changes in the way dentists working in the NHS are remunerated from 1 April 2006 were made in consultation with the Department of Health and Welsh Assembly Government. The standards and performance targets included in the Service Level Agreements with the Department of Health and Welsh Assembly Government were delivered with all headline performance standards being met. The transfer of functions to the NHS Business Services Authority took place on 1 April 2006. Acknowledgement must be made to the staff of the Dental Practice Board who delivered this challenging agenda.

The accounts report a net operating cost of £27.0 million which is £0.5 million below the resource limit agreed with the Department of Health. This is an increase in net operating cost of £1.1 million over the previous year. This increase is principally due to the year on year variance associated with expenditure on voluntary early retirement and severance schemes which was £3.0 million in 2005-2006 compared to £2.2 million in 2004-2005 and the uplift in pension provision of £1.4 million arising from the change in discount rate as at 1 April 2005 which offset underlying operating cost savings.

The voluntary early retirement and severance scheme run in 2005-2006 and its associated cost of £3.0 million is in respect of 61 members of staff (58.2 whole time equivalents) with leaving dates in the period January 2006 to August 2006. Provision is made in the accounts for the costs at the time the scheme is approved and becomes legally binding on the Dental Practice Board and the employee.

The Dental Practice Board measured its cost effectiveness by expressing its net operating cost as a unit cost, based on the number of dentist claim form documents dealt with in the financial period. The standard is to achieve a 2% reduction in cost per annum in real terms after adjusting for inflation, over each successive medium term of 3 to 5 years. Documents dealt with in 2005-2006 of 44.3 million result in a unit cost of 60.9p per document. This compares with 56.0p per document for 2004-2005 and 50.7p in 2003-2004 with the year on year variances being principally attributable to the phasing of expenditure on the various Voluntary Early Retirement and Severance schemes. The savings arising from these schemes in the current year and in the past have allowed the Dental Practice Board to always achieve its medium term target.

In planning for the move to the NHS Business Services Authority action has been taken to manage staff levels and costs so that the reductions necessary to meet targets set for 2008 by the Department of Health can be achieved.

During the year 37 staff left as part of a previous Voluntary Early Retirement and Severance Scheme, 96 staff transferred to a supplier under TUPE arrangements and 11 staff left for other reasons. In total 144 staff left and there were no joiners. As a result, 146 staff (139 whole time equivalents - WTEs) including 57 dental reference officers (56 WTEs) transferred to the NHS Business Services Authority on 1 April 2006. Of these a further 59 staff (54 WTEs) will leave by 31 August 2006 under the Voluntary Early Retirement and Severance Scheme run in 2005-2006, leaving a staff base for future operations of 85 WTEs, of which 56 WTEs are dental reference officers.

The Agenda for Change evaluation of jobs as required by the NHS was completed on target by 30 September 2005 and future staff costs and staff numbers are now at a level to facilitate the meeting of future targets.

The two major outsourced contracts one with IBM for the provision of IT services and the second with Astron covering data capture services and other administrative tasks e.g. mail services continued to operate successfully in the financial year.

Further operational areas were identified during the year as suitable for outsourcing. This process resulted in a change control notice being signed as part of the contract with Astron Document Management Services Ltd. The notice covers the remaining period of the existing contract to 31 December 2009. This notice with a value of £17.8m in respect of the period from 1 February 2006 to 31 December 2009 included the transfer of 96 staff; 84 Whole Time Equivalents under TUPE to Astron.

The modernising dentistry agenda has meant that all systems, particularly the IT facilities available, have come under scrutiny. There has been limited expenditure in the current year on development projects as effort has been concentrated on adapting existing systems to meet the new policy requirements. There have, however, been some one-off costs associated with the modernising dentistry agenda, including the need to use temporary staff for the period of the transition to the new arrangements which is expected to continue until August or September 2006.

Notice had been given in respect of all the leases held on offices used for Dental Examination Clinics and during the year exit arrangements in respect of all leases were successfully negotiated reducing costs by £0.1m per annum. This arose due to the new working practices being adopted by the Dental Reference Service which have been developed and tested over the past year involving visits to dental surgeries and the provision of support and advice to dental practitioners.

Other changes impacting on the net operating cost position have included additional rental income received in respect of the Eastbourne site, and additional costs arising from increasing fuel prices.

Reducing longer term costs has been a key objective of the Dental Practice Board. The action that has been taken to reduce staff numbers and outsource further operations has improved the financial position inherited by the NHS Business Services Authority in respect of the Dental Practice Board.

**Nick Scholte**  
Chief Executive and Accounting Officer  
NHS Business Services Authority  
Residual Body for the Dental Practice Board

7 July 2006



## REMUNERATION REPORT

This report for the year ended 31 March 2006 is produced on the recommendation of the Dental Practice Board's Remuneration Committee.

### Remuneration Committee

The Department of Health Dental and Optical sponsor branch set the remuneration of the Chairman, Chief Executive and Board.

The remuneration for the Chairman, Chief Executive and Board was reviewed by the Department of Health in line with National NHS Guidance in respect of Chair and non-executive Board Remuneration when issued.

The Remuneration committee which met four times during the year comprised the Chairman Mary Wyllie and three independent board members Carol Ferguson, David Ferns and Derek Spratt. The committee was chaired by Mary Wyllie who reported to Board meetings.

### Remuneration Policy

The committee advised the Board on the remuneration of senior managers and policy on staff pay where there was discretion. The committee also advised the Board on senior management appointments. In 2005-2006 the committee continued to take on the role given it in the senior management pay arrangements set out in the Health Service Circular HSC 1998/017 whilst at the same time overseeing the introduction of the new NHS Agenda for Change arrangements which were implemented in full by the target date of September 2005 and were effective from 1 October 2004. The clinical staff of the Dental Reference Service were at the same time assimilated on to the associate specialist salary scale effective from 1 October 2004. There was no external recruitment in the year.

### Service contracts

The service contracts of the Board members ended on 31 March 2006 when the Dental Practice Board was dissolved. The Chairman and non-executive members resigned as at 31 March 2006. The Chief Executive held a contract requiring one year's notice which was given on 1 October 2005 when the NHS Business Services Authority was created. Provision has been made in these accounts for 6 months pay which is a contractual liability.

Details of the Board members' last reappointments under service contracts prior to their resignation at 31 March 2006 were as follows:

<b>Name and title</b>	<b>Latest contract start date</b>	<b>Contract duration (months)</b>
Chairman:		
M Wyllie	01-Jul-2004	21
Chief Executive:		
J Taylor	01-Apr-1987	N/A
Non-Executive members:		
R Austin	01-Apr-2005	18
C Ferguson	31-Oct-2004	36
D Ferns	01-Jan-2005	33
S Lakhanpaul	01-Jan-2005	33
D Spratt	31-Oct-2004	36

## Emoluments of Board members

Name and title	2005-2006			2004-2005		
	Salary in £5,000 bands £000	Other remuner. in £5,000 bands £000	Benefits in kind (rounded to nearest £hundred) £00	Salary in £5,000 bands £000	Other remuner. in £5,000 bands £000	Benefits in kind (rounded to nearest £hundred) £00
Chairman						
M Wyllie	30 – 35	Nil	10	30 – 35	Nil	10
Chief Executive						
J Taylor	105 – 110	Nil	Nil	100 – 105	Nil	Nil
Non-Executive members:						
R Austin	Nil	0 – 5	2	Nil	0 – 5	2
C Ferguson	Nil	0 – 5	1	Nil	0 – 5	1
D Ferns	Nil	0 – 5	2	Nil	0 – 5	Nil
S Lakhanpaul	Nil	0 – 5	5	Nil	0 – 5	4
D Spratt	Nil	0 – 5	2	Nil	0 – 5	2

The salary of the Chief Executive does not include a performance related pay element.

Benefits in kind paid to the Chairman and non-executive members are mileage allowances paid in line with National NHS Guidelines for rate per mile but falling in excess of the Inland Revenue's approved mileage rates.

Non-executive members who are also dentists may receive General Dental Services payments in line with the statement of Dental Remuneration or Personal Dental Services under contracts with Primary Care Trusts for England or Local Health Boards for Wales. The Department of Health and Welsh Assembly Government set the policy for these payments. Where relevant information is disclosed in the Related Parties note to the accounts (Note 18 on page 33).

Provision has been made in these accounts for 6 months pay due to the Chief Executive under his contract of employment in the amount of £52,580 plus employer's overheads of £14,095 totalling £66,675.

Name and title	Real increase in pension and related lump sum at age 60 (bands of £2,500) £000	Total accrued pension at age 60 at 31 Mar 2006 & related lump sum (bands of £2,500) £000	Cash Equivalent Transfer Value at 31 Mar 2006 £000	Cash Equivalent Transfer Value at 31 Mar 2005 £000	Real increase in cash Equivalent Transfer Value £000	Employer's contribution to stakeholder pension (rounded to nearest £hundred) £00
Chief Executive						
J Taylor	7.5 – 10	167.5 – 170	N/A (Over 60)	N/A (Over 60)	N/A (Over 60)	Nil

The Chief Executive was a member of the NHS Pension Scheme. Further details of the NHS Pension Scheme are given in note 1.9 on pages 22 to 23.

As the non-executive members did not receive pensionable remuneration, there are no entries in respect of pensions for them.

The Chief Executive was a member of the NHS Pension Scheme. As he was over age 60 he is not able to transfer his pension under scheme rules. The Cash Equivalent Transfer Values are therefore not relevant.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures and the other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NHS Pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in CETV reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

#### **Other emoluments**

There was no non cash remuneration, amounts payable to a third party for services as a senior manager, non-contractual payments for loss of office or payments to former senior managers.

**Nick Scholte**  
Chief Executive and Accounting Officer  
NHS Business Services Authority  
Residual Body for the Dental Practice Board

7 July 2006

## STATEMENT OF THE BOARD'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury, the Dental Practice Board is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Dental Practice Board's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

The Dental Practice Board was dissolved on 31 March 2006 and overall responsibility for the operation of the Dental Practice Board as it continues in the future lies with the newly established NHS Business Services Authority. The Accounting Officer for the Department of Health has appointed the Chief Executive of the NHS Business Services Authority as the Accounting Officer, with responsibility for preparing the Dental Practice Board's accounts in its final year and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Board and Accounting Officer are required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Dental Practice Board will continue in operation.

The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public funds and assets vested in the Dental Practice Board, and for the keeping of proper records, are set out in the Accounting Officer's Memorandum issued by the Department of Health.

## STATEMENT ON INTERNAL CONTROL 2005-2006

### 1. Scope of responsibility

The Dental Practice Board ceased to exist on 31 March 2006. The Statement on Internal Control for the Dental Practice Board 2005-2006 has been completed by the NHS Business Services Authority in its capacity as the body incorporating the functions previously carried out by the Dental Practice Board.

Due to the closure of the Dental Practice Board I have signed this Statement on Internal Control being the Chief Executive and Accounting Officer of the NHS Business Services Authority.

As Accounting Officer, together with the former Chief Executive of the Dental Practice Board who was in post for 2005-2006, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accounting Officer's Memorandum.

The Dental Practice Board was also accountable for delivery of services as defined in the Service Level Agreements with the Department of Health and Welsh Assembly Government.

### 2. The purpose of the system of internal control

The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

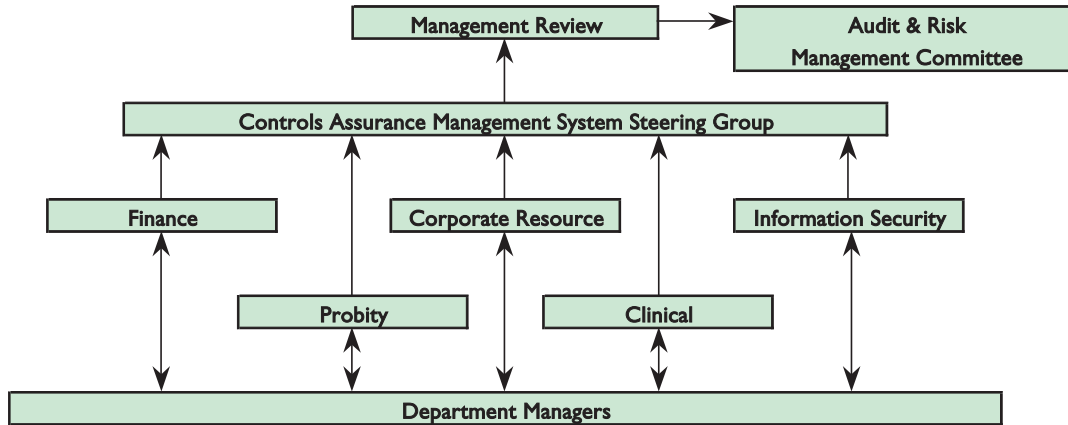
This system of internal control was in place in the Dental Practice Board for the year ended 31 March 2006.

The Board exercised strategic control over the operation of the organisation through a system of corporate governance which included standing orders, standing financial instructions and the establishment of an Audit and Risk Management Committee.

### 3. Capacity to handle risk

#### Leadership & Accountability

The Dental Practice Board had an organisational management structure with clearly defined lines of accountability. The ownership of risk was defined throughout the management structure. The accountability for managing risk at the Dental Practice Board is shown in the diagram below.



Specific individual responsibilities were as follows:

The Chief Executive was accountable for having in place an effective system of risk management and internal control.

The Board of the Dental Practice Board was responsible for monitoring the effectiveness of the systems within the organisation.

The Audit Manager was the designated person with overall responsibility for auditing the Controls Assurance Management System and for reporting its effectiveness to the Board.

The Business Operations Manager was the designated person with overall responsibility for implementing and managing the Controls Assurance Management System.

Individual managers had responsibility with regard to specific areas of corporate wide risk.

The Audit and Risk Management Committee had overall responsibility for ensuring that an appropriate system was in place for the identification, assessment and control of risk.

#### Training

Senior managers from all areas were trained to ensure they had an understanding of risk management. Staff had also received training on specific areas of risk such as Health and Safety and Information Security. All staff were trained to identify and manage risk in a way appropriate to their authority and duties.

#### **4. The risk and control framework**

The Dental Practice Board operated a web based Controls Assurance Management System. The rationale of the Controls Assurance Management System was to create a system that interlinked throughout the organisation highlighting all risks both at a local and corporate level within five interconnecting systems:

- information security
- probity
- clinical
- financial
- corporate resource

There were clear responsibilities assigned for managing risk throughout the Dental Practice Board and the use of an intranet based Controls Assurance Management System made risk management a very open and accessible process for all members of staff.

Risk management was embedded in all of the activities of the organisation by virtue of robust organisational and committee structures. The Dental Practice Board was committed to a strategy, that minimised risks to all its

stakeholders through a comprehensive system of internal controls, whilst maximising potential for flexibility, innovation and best practice in the delivery of its strategic objectives. The Dental Practice Board recognised it was impossible to eliminate all risks and that systems of control should not be so rigid that they stifled innovation and imaginative use of limited resources in order to achieve business objectives.

The controls the Dental Practice Board had in place were designed to safeguard the principal functions in supporting the Dental Services of the NHS within England and Wales, namely: the approval of payment applications; calculating and transferring payments; preventing and detecting fraud and abuse; and providing dental health information.

In addition, the Dental Practice Board took action to eliminate and control all risks that had the potential to:

- result in the Dental Practice Board not being able to pay dentists in line with the new NHS Dental Contract arrangements from 1 April 2006
- disrupt the Dental Practice Board's functions during the transition to the NHS Business Services Authority on 1 April 2006
- harm its staff, visitors and other stakeholders including any harmful impact on the environment,
- result in a loss of public confidence in the Dental Practice Board and/or its partner agencies,
- result in the Dental Practice Board failing to meet its statutory duties,
- have severe financial consequences which might prevent the Dental Practice Board carrying out its functions.

## **5. Review of effectiveness**

Within the Dental Practice Board the Chief Executive Mr John Taylor had responsibility for reviewing the effectiveness of the system of internal control on an ongoing basis during the course of the year. This was informed in a number of ways:

- the head of internal audit provided an opinion on the overall arrangements for gaining assurance through the Assurance Framework and the controls reviewed as part of the internal audit work
- senior managers within the organisation with responsibility for the development and maintenance of the systems of internal control provided assurance
- the Controls Assurance Management System itself provided evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives had been reviewed
- by the work of the external auditors.

## **6. Conclusion**

As a result of the comprehensive review of the system of internal control that the former Chief Executive and former officers of the Dental Practice Board conducted and on the basis of documentation provided by the Dental Practice Board to the NHS Business Services Authority, I feel that no significant control issues have been identified.

**Nick Scholte**  
Chief Executive and Accounting Officer  
NHS Business Services Authority  
Residual Body for the Dental Practice Board

7 July 2006

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

I certify that I have audited the financial statements of the Dental Practice Board for the year ended 31 March 2006 under the National Health Service Act 1977. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet and the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Board of the Dental Practice Board, Chief Executive and Auditor**

The Board of the Dental Practice Board and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Board's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Dental Practice Board has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 11 to 13 reflects the Dental Practice Board's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Dental Practice Board's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Annual Report, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Dental Practice Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Dental Practice Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.



## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury, of the state of the Dental Practice Board's affairs as at 31 March 2006 and of the net resource outturn, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

**John Bourn**  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

12 July 2006

## Operating Cost Statement for the year ended 31 March 2006

Continuing Operations	Notes	2005-2006 £000	2004-2005 £000
Programme costs	2.1	27,619	26,443
Operating income	4	(623)	(568)
Net operating cost		<u>26,996</u>	<u>25,875</u>
Net resource outturn	3.1	<u>26,996</u>	<u>25,875</u>

## Statement of Recognised Gains and Losses for the year ended 31 March 2006

	Notes	2005-2006 £000	2004-2005 £000
Unrealised surplus on the revaluation of fixed assets	5.2	-	2,394
Unrealised surplus on the indexation of fixed assets	11.2	177	294
Recognised gains for the financial year		<u>177</u>	<u>2,688</u>

The notes on pages 19 to 35 form part of this account.

## Balance Sheet as at 31 March 2006

	Notes	31 March 2006 £000	31 March 2005 £000
<b>Fixed assets</b>			
Intangible assets	5.1	201	317
Tangible assets	5.2	7,009	7,183
		<u>7,210</u>	<u>7,500</u>
<b>Current assets</b>			
Debtors	6	1,161	1,139
Cash at bank and in hand	7	30	15
		<u>1,191</u>	<u>1,154</u>
Creditors: amounts falling due within one year	8	<u>(1,186)</u>	<u>(1,408)</u>
Net current assets / (liabilities)		<u>5</u>	<u>(254)</u>
Total assets less current liabilities		<u>7,215</u>	<u>7,246</u>
Provisions for liabilities and charges	9	<u>(12,552)</u>	<u>(9,443)</u>
Net liabilities		<u>(5,337)</u>	<u>(2,197)</u>
Taxpayers' equity			
General Fund	11.1	<u>(9,599)</u>	<u>(6,299)</u>
Revaluation reserve	11.2	<u>4,262</u>	<u>4,102</u>
		<u>(5,337)</u>	<u>(2,197)</u>

The notes on pages 19 to 35 form part of this account.

**Nick Scholte**  
 Chief Executive and Accounting Officer  
 NHS Business Services Authority  
 Residual Body for the Dental Practice Board

7 July 2006

## Cash Flow Statement for the year ended 31 March 2006

	Notes	31 March 2006 £000	31 March 2005 £000
Net cash (outflow) from operating activities	12	<u>(23,616)</u>	<u>(24,599)</u>
Capital expenditure and financial investment			
(Payments) to acquire intangible fixed assets		-	(18)
(Payments) to acquire tangible fixed assets		(202)	(325)
Receipts from disposal of tangible fixed assets		22	16
Net cash outflow from investing activities		<u>(180)</u>	<u>(327)</u>
Net cash outflow before financing		<b>(23,796)</b>	<b>(24,926)</b>
Financing			
Net Parliamentary funding	11.1	<u>23,811</u>	<u>24,922</u>
Increase / (Decrease) in cash in the year	7	<u><u>15</u></u>	<u><u>(4)</u></u>

The notes on pages 19 to 35 form part of this account.

## Notes to the Accounts

### I Accounting Policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual issued by HM Treasury and the accounts direction issued by the Secretary of State for Health with the approval of Treasury. The particular accounting policies adopted by the Dental Practice Board are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

#### Going Concern

Activities are considered to be “acquired” only if they are acquired from outside the public sector. Activities are considered to be “discontinued” only if they cease entirely. They are not considered to be “discontinued” if they transfer from one body to another.

As discussed in the Annual Report the Dental Practice Board has been dissolved as part of the Arm’s Length Bodies Review announced by the Secretary of State for Health. The assets, liabilities, contractual obligations and staff of the Dental Practice Board were transferred to the NHS Business Services Authority on 1 April 2006 and the activities have not been ‘discontinued’. The Accounting Officer therefore considers it appropriate to prepare the 2005-2006 financial statements on a going concern basis.

#### I.1 Accounting Convention and accounts

This account is prepared under the historical cost convention, modified to account for the revaluation of tangible fixed assets and stock where material, at their value to the business by reference to their current costs. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

The Dental Practice Board makes payments to dentists on behalf of the General Dental Services and Personal Dental Services for both England and Wales. The financial statements for this expenditure for England are not separately published, as the expenditure is incorporated into the summarised accounts of the Primary Care Trusts. The General Dental Service expenditure for Wales is published separately and the Personal Dental Services expenditure for Wales is included in the accounts of the Local Health Boards.

These accounts deal with the operational and administrative costs of the Dental Practice Board in providing services for General Dental Services and Personal Dental Services in England and Wales.

#### I.2 Income

Income is accounted for applying the accruals convention. The main source of funding for the Dental Practice Board was Parliamentary grant from the Department of Health from Request for Resources within an approved cash limit, which was credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received.

Operating income is income which relates directly to the operating activities of the Dental Practice Board. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work, but it also includes other income such as that from investments. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as miscellaneous income. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

The Dental Practice Board carried out monitoring checks to ensure patients have paid the appropriate patient charges for dental services. Penalty charges are levied when it is confirmed the appropriate patient charges were not paid. These penalty charges are accounted for when received and are disclosed separately in note 4 on page 26.

### 1.3 Taxation

The Dental Practice Board is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

### 1.4 Capital Charges

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 2005-2006 was 3.5% (2004-2005 3.5%) on all assets less liabilities, except for cash balances with the Office of the Paymaster General, where the charge is nil.

### 1.5 Fixed Assets

#### *a Capitalisation*

All assets falling into the following categories are capitalised:

- i Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000.
- ii Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.
- iii Tangible assets which are capable of being used for more than one year, and they:
  - individually have a cost equal to or greater than £5,000;
  - collectively have a cost of at least £5,000 where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
  - form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

#### *b Valuation*

##### *Intangible fixed assets*

Intangible fixed assets held for operational use are valued at historical cost. Surplus intangible assets are valued at the net recoverable amount.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

##### *Tangible fixed assets*

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

- i Land and buildings (excluding dwellings)

Valuations are carried out by the District Valuer of the Valuation Office Agency at five yearly intervals in accordance with FRS 15. Between valuations price indices appropriate to the category of asset are applied to arrive at the current value. The buildings indexation is based on the All in Tender Price Index published by the

Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office. The valuations were carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. In respect of non-operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material. To meet the underlying objectives established by the Department of Health the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

- specialised operational assets have been valued on a replacement rather than a modern substitute basis;
  - no adjustment has been made to the cost figures of operational assets in respect of dilapidations; and
  - additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.
- ii Operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the Gross Domestic Product (GDP) deflator. Equipment surplus to requirements is valued at net recoverable amount.
- iii Assets in the course of construction are valued at current cost, using the index as for land and buildings. These assets include any existing land or buildings under the control of a contractor.
- iv All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

**c Depreciation and Amortisation**

Depreciation is charged on each individual fixed asset as follows:

- i. Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets.
- ii. Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.
- iii. Land and assets in the course of construction are not depreciated.
- iv. Buildings are depreciated evenly on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.
- v. Each equipment asset is depreciated evenly over the expected useful life:

	Years
Furniture and fittings:	
Furniture	10
Soft furnishings	7
Transport Equipment	7
Information Technology:	
Mainframe information technology installations	8
Office information technology	5

## **1.6 Donated Fixed Assets**

The Dental Practice Board did not have any Donated Fixed Assets.

## **1.7 Stocks and work in progress**

The Dental Practice Board did not normally recognise stocks.

## **1.8 Losses and special payments**

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings, including losses which would have been made good through insurance cover had the Dental Practice Board not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

## **1.9 Pension costs**

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the Dental Practice Board to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer's contributions payable in 2005-2006 were £1,126,000 (2004-2005 £1,243,000).

The Scheme is subject to a full valuation for FRS17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of employer's contribution rates. This valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Accounts, published annually. These accounts can be viewed on the NHS Pensions Agency website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employer's contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

NHS bodies are directed by the Secretary of State to charge employer's pension costs contributions to operating expenses as and when they become due.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80<sup>th</sup> of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill health. For early



retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the Dental Practice Board commits itself to the retirement, regardless of the method of payment.

A death gratuity of twice final year's pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

#### **1.10 Research and Development**

The Dental Practice Board did not incur Research and Development expenditure.

#### **1.11 Leases**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives or primary lease term. Rentals under operating leases are charged on a straight line basis over the terms of the lease.

#### **1.12 Foreign exchange**

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used.

#### **1.13 Provisions**

The Dental Practice Board provided for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. This is a change from the rate of 3.5% applied from 2003-2004. The effect of the change is to increase the carrying value of the provision. This is shown in note 9.

## 2.1 Programme Costs

	Notes	£000	2005-2006 £000	2004-2005 £000
Non-executive remuneration			50	43
Salaries	2.2		10,791	11,811
Early retirement and severance scheme				
New scheme	9	2,969		2,180
Provision no longer required	9	(78)		(68)
Change in the discount rate	9	1,396		-
Unwinding of discount	9	416		466
			<b>4,703</b>	<b>2,578</b>
IT services contractor			4,855	5,100
Administration services contractor**			2,621	1,402
Dental Reference Chaperone service contractor			320	357
Postage, stationery and telephone			916	1,039
Capital:				
Depreciation and amortisation	5	558		486
Impairments	5	89		10
Capital charges interest		(132)		(147)
(Profit) / Loss on disposal	5.4	0		10
			<b>515</b>	<b>359</b>
Maintenance of equipment and premises			369	364
Transport, travel and subsistence			378	548
Rent and rates			263	407
Furniture and equipment			489	423
Professional fees and outsourced services			647	1,223
Heat, light and power			154	100
Hire and leasing			14	17
Auditor's remuneration: audit fees*			98	97
Training			61	84
Other administration costs			375	491
			<b>27,619</b>	<b>26,443</b>

\* The audit fee represents the cost for the audit of the underlying financial statements carried out by the Comptroller and Auditor General. The audit fee also covers work in respect of General Dental Services and Personal Dental Services payments made by the Dental Practice Board where the expenditure is incorporated into the summarised accounts of the Primary Care Trusts.

The Dental Practice Board did not make any payments to auditors in respect of non-audit work.

\*\* The administration services contractor was described as bureau keying in 2004-2005.

## 2.2 Staff numbers and related costs

	Permanently employed staff £000	Other £000	2005-2006 Total £000	2004-2005 Total £000
Salaries and wages	8,370	528	<b>8,898</b>	9,746
Social security costs	764	3	<b>767</b>	822
Employer contributions to NHS Pensions Agency	1,126	-	<b>1,126</b>	1,243
	<u>10,260</u>	<u>531</u>	<u><b>10,791</b></u>	<u>11,811</u>

The average number of employees during the year was:

	Permanently employed staff Number	Other Number	2005-2006 Total Number	2004-2005 Total Number
Total	<u>225</u>	<u>25</u>	<u>250</u>	<u>299</u>

### Expenditure on staff benefits

The Dental Practice Board provided Dental Reference Officers with cars for the performance of their jobs which involves clinical duties throughout England and Wales. Where an officer elects to have personal use of the car they make a monthly payment for this privilege. Under current Inland Revenue rules this results in a taxable benefit of £73,000 (2004-2005 £74,000).

### Retirements due to ill-health

During 2005-2006 there were no early retirements from the Dental Practice Board on the grounds of ill health (2004-2005 Nil).

## 2.3 Better Payment Practice Code – measure of compliance

	Number	£000
Total non-NHS bills paid 2005-2006	<b>2,789</b>	<b>14,661</b>
Total non-NHS bills paid within target	<b>2,783</b>	<b>14,608</b>
Percentage of non-NHS bills paid within target	<b>99.8%</b>	<b>99.6%</b>
	<u>                    </u>	<u>                    </u>
Total NHS bills paid 2005-2006	71	25
Total NHS bills paid within target	71	25
Percentage of NHS bills paid within target	<b>100.0%</b>	<b>100.0%</b>
	<u>                    </u>	<u>                    </u>

<b>3.1 Reconciliation of net operating cost to net resource outturn</b>	<b>2005-2006 £000</b>	<b>2004-2005 £000</b>
Net operating cost	26,996	25,875
Net resource outturn	26,996	25,875
Revenue resource limit	27,449	25,994
Under spend against limit	453	119

<b>3.2 Reconciliation of gross capital expenditure to capital resource limit</b>	<b>2005-2006 £000</b>	<b>2004 -2005 £000</b>
Gross capital expenditure	202	322
Net Book Value of assets disposed	(22)	(26)
Net capital resource outturn	180	296
Capital resource limit	201	350
Under spend against limit	21	54

#### **4 Operating income**

Operating income analysed by classification and activity, is as follows:

	<b>Appropriated in aid £000</b>	<b>2005-2006 £000</b>	<b>2004-2005 £000</b>
Programme income:			
Fees & charges to external customers	504	504	448
Penalty charges received	119	119	120
Total	623	623	568

The Dental Practice Board carried out monitoring checks to ensure patients had paid the appropriate patient charges for dental services. Penalty charges are levied and are accounted for when received.

## 5.1 Intangible Fixed Assets

	Software Licences £000
Gross cost at 1 April 2005	622
Additions – purchased	-
Disposals	-
Gross cost at 31 March 2006	<u>622</u>
Accumulated amortisation at 1 April 2005	305
Provided during the year	116
Disposals	-
Accumulated amortisation at 31 March 2006	<u>421</u>
Net book value as at 1 April 2005	<u>317</u>
Net book value as at 31 March 2006	<u>201</u>

## 5.2 Tangible Fixed Assets

	Land £000	Buildings excl. Dwellings £000	Transport Equipment £000	Information Technology £000	Furniture & fittings £000	Total £000
Cost or Valuation at 1 April 2005	1,550	4,700	1,070	487	677	8,484
Additions – purchased	-	-	91	111	-	202
Indexation	78	86	23	-	14	201
Disposals	-	-	(174)	(9)	(46)	(229)
Gross cost at 31 March 2006	<u>1,628</u>	<u>4,786</u>	<u>1,010</u>	<u>589</u>	<u>645</u>	<u>8,658</u>
Accumulated depreciation at 1 April 2005	-	-	553	176	572	1,301
Provided during the year	-	159	157	97	29	442
Impairments	-	-	-	89	-	89
Indexation	-	-	12	-	12	24
Disposals	-	-	(155)	(6)	(46)	(207)
Accumulated depreciation at 31 March 2006	<u>-</u>	<u>159</u>	<u>567</u>	<u>356</u>	<u>567</u>	<u>1,649</u>
Net book value as at 1 April 2005	<u>1,550</u>	<u>4,700</u>	<u>517</u>	<u>311</u>	<u>105</u>	<u>7,183</u>
Net book value as at 31 March 2006	<u>1,628</u>	<u>4,627</u>	<u>443</u>	<u>233</u>	<u>78</u>	<u>7,009</u>

The Dental Practice Board did not hold any assets under finance leases nor donated fixed assets.

### 5.3 Net Book Value of land and buildings

The net book value of land and buildings at 31 March 2006 of £6,255,000 (31 March 2005 £6,250,000) is all freehold. This is the Eastbourne property which is the headquarters of the Dental Practice Board. The property was valued as at 1 April 2005 in accordance with the guidance detailed in note 1.5 (b)(i) on pages 20 and 21.

### 5.4 Profit / loss on disposal of fixed assets

	2005-2006 £000	2004-2005 £000
(Loss) on disposal of computer assets	(3)	(5)
Profit on disposal of furniture and fittings	1	-
(Loss) on disposal of motor vehicles	(4)	(5)
Profit on disposal of motor vehicles	6	-
	<hr/>	<hr/>
	0	(10)
	<hr/>	<hr/>

### 6 Debtors

	31 March 2006 £000	31 March 2005 £000
Amounts falling due within one year		
NHS Pensions Agency	50	2
Department of Health	-	250
Dental Vocational Training Authority	-	34
Welsh Assembly Government	59	51
Prepayments	259	317
Accrued income	28	-
Other debtors	765	485
	<hr/>	<hr/>
	1,161	1,139
	<hr/>	<hr/>

The Dental Practice Board made payments on an ongoing basis on behalf of the Department of Health and the Welsh Assembly Government in respect of Electronic Data Interchange grants to dentists and Continuing Professional Education for dentists, the NHS Pensions Agency in respect of Widows'/Widowers' Pension and the Dental Vocational Training Authority. These payments were either funded in advance or subsequently reimbursed. These paying agency activities resulted in debtor or creditor balances. Amounts due to the Dental Practice Board at 31 March 2006 in respect of these activities totalled £109,000 (2004-2005 £80,000). Amounts due from the Dental Practice Board are shown in Note 8 Creditors.

In 2004-2005 the Dental Practice Board made payments on behalf of the Department of Health principally in relation to the recruitment of dentists from overseas which gave rise to a debtor of £250,000 at 31 March 2005. This debt was settled in 2005-2006.

**7 Analysis of changes in cash**

	At 31 March 2005 £000	Change during the year £000	At 31 March 2006 £000
Cash at Office of the Paymaster General	2	13	15
Cash at commercial banks and in hand	13	2	15
	<u>15</u>	<u>15</u>	<u>30</u>

**8 Creditors**

	31 March 2006 £000	31 March 2005 £000
Amounts falling due within one year		
NHS Pensions Agency	354	379
Department of Health	1	1
Dental Vocational Training Authority	9	-
Tax and Social security	200	309
Other creditors	58	293
Accruals	533	423
Deferred income	31	3
	<u>1,186</u>	<u>1,408</u>

As described in Note 6 Debtors, the Dental Practice Board acted as a paying agent and these activities resulted in debtor and creditor balances. At 31 March 2006 creditors in respect of paying agency activities totalled £10,000 (2004-2005 £1,000).

## 9 Provisions for liabilities and charges

	Agenda for change	Voluntary Early Retirement & Severance schemes	Total
	£000	£000	£000
At 31 March 2005	43	9,400	9,443
Arising during the year	-	2,969	2,969
Utilised during the year	(43)	(1,551)	(1,594)
Provision no longer required	-	(78)	(78)
Change in the discount rate	-	1,396	1,396
Unwinding of discount	-	416	416
	<hr/>	<hr/>	<hr/>
At 31 March 2006	-	12,552	12,552
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Expected timing of cash flows:	£000	£000	£000
Within 1 year	-	2,109	2,109
1-5 years	-	4,459	4,459
Over 5 years	-	5,984	5,984
	<hr/>	<hr/>	<hr/>
	-	12,552	12,552
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Agenda for Change provision related to back pay due to staff for the period from 1 October 2004 arising from the NHS job evaluation programme. Job evaluations were completed by the target date of 30 September 2005.

From 1 April 2005 HM Treasury changed the discount rate used in calculating provisions from 3.5% to 2.2%. As a result the Pension Provision was recalculated at 1 April 2005 in line with instructions issued by the NHS. This resulted in a charge to the net operating costs statement of £1,396,000 and additional NHS funding was provided to cover this uplift in provision.

The main provision relates to all staff who left the Dental Practice Board under voluntary severance and early retirement schemes where the cost has not been capitalised, i.e. a payment made to the NHS Pension Agency in respect of the liability. The provision is in respect of all early retirements where the decision has been made in the year to 31 March 2006 or earlier years and includes retirements planned for 2006-2007 of £2,836,000 (2004-2005 – retirements planned for 2005-2006 of £2,153,000).

There were no provisions for legal claims or clinical negligence.



<b>10 Movements in working capital other than cash</b>		<b>2005-2006</b>	<b>2004-2005</b>
		<b>£000</b>	<b>£000</b>
	(Increase) in debtors	(22)	(317)
	(Decrease) / Increase in creditors (excluding capital creditors)	(222)	230
		<b>(244)</b>	<b>(87)</b>
<b>11 Movements on reserves</b>			
		<b>2005-2006</b>	<b>2004-2005</b>
		<b>£000</b>	<b>£000</b>
<b>11.1</b>	<b>General Fund</b>		
	Balance at 31 March 2005	(6,299)	(5,240)
	Net operating costs for the year	(26,996)	(25,875)
	Net Parliamentary funding	23,811	24,922
	Transfer of realised profits / losses from revaluation reserve	17	41
	Non-cash items:		
	Capital charge interest	(132)	(147)
		<b>(9,599)</b>	<b>(6,299)</b>
	Balance at 31 March 2006		
<b>11.2</b>	<b>Revaluation Reserve</b>	<b>2005-2006</b>	<b>2004-2005</b>
		<b>£000</b>	<b>£000</b>
	Balance at 31 March 2005	4,102	1,455
	Indexation of fixed assets	177	294
	Revaluation of fixed assets	-	2,394
	Transfer to General Fund: realised revaluation	(17)	(41)
		<b>4,262</b>	<b>4,102</b>
	Balance at 31 March 2006		
<b>12 Reconciliation of operating cost to operating cash flows</b>			
		<b>2005-2006</b>	<b>2004-2005</b>
		<b>£000</b>	<b>£000</b>
	Net operating cost before interest for the year	(26,996)	(25,875)
	Adjust for non-cash transactions	2.1 515	359
	Adjust for movements in working capital other than cash	10 (244)	(87)
	Increase in provisions	3,109	1,004
		<b>(23,616)</b>	<b>(24,599)</b>
	Net cash (outflow) from operating activities		

### 13 Contingent liabilities

At 31 March 2006 the following contingent liability existed:

On 1 February 2006 96 staff transferred to Astron Document Management Ltd in an extension to the existing contract for the period to 31 December 2009. The contract includes an indemnity clause in respect of redundancy costs.

In the event the contract is not renewed with the current supplier or the staff do not TUPE to a new supplier because NHS policy changes so that the requirements to provide services to NHS dentistry reduce significantly, and the current supplier is not able to offer suitable alternative employment, the liability for the redundancy costs would fall to the NHS Business Services Authority.

### 14 Capital commitments

At 31 March 2006, the value of capital commitments was £12,000 (2004-2005: Nil).

### 15 Commitments under operating leases

Expenses of the Dental Practice Board included the following in respect of hire and operating lease rentals

	2005-2006 £000	2004-2005 £000
Hire of plant and machinery	14	16
Other operating leases	47	128
	<hr/> 61	<hr/> 144
	<hr/> <hr/>	<hr/> <hr/>
Commitments under non-cancellable operating leases:		
	£000	£000
Other leases		
Operating leases which expire:		
within 1 year	14	77
between 1 and 5 years	-	16
after 5 years	-	24
	<hr/> 14	<hr/> 117
	<hr/> <hr/>	<hr/> <hr/>

Operating lease commitments included rentals in respect of 24 properties used for dental examination of patients. Prior to 31 March 2005, notice was given on 19 of these properties, where government lease arrangements existed, effective from 1 April 2005. Under the government leases the Dental Practice Board remained liable for the ongoing cost until an alternative tenant was found. During 2005-2006 the Dental Practice Board has negotiated settlements in respect of all these properties and the final costs are included in these accounts. Notice was also given on 5 properties where there were commercial leases where exit strategies were finalised in 2005-2006. As a result there are no ongoing operating lease commitments in respect of properties as at 31 March 2006.

## 16 Other Commitments

On 1 January 2003 the Dental Practice Board entered into two seven year contracts, one with IBM UK Ltd for computing services and one with Astron Document Management Ltd. (formerly Hays Commercial Services Ltd) for data capture services. The computing services contract involves payments of £31.9 million over the seven years and is subject to increases in line with inflation. The data capture contract involves payments of £7.8 million over seven years and adjustments are dependent on the volumes processed. Both contracts have arrangements within them whereby after 4 years or more, on giving formal notice, the Dental Practice Board can make termination payments to terminate the contracts.

On 1 February 2006 the contract with Astron Document Management Ltd was extended and 96 staff transferred under TUPE arrangements. The extension involves payments of £17.8 million in the period to 31 December 2009 i.e. the expiry date of the original contract.

## 17 Losses and special payments

Losses and special payments approved during 2005-2006 amounted to £118 in respect of 2 items. (2004-2005 £20 - 1 item).

## 18 Related Parties

The Dental Practice Board was a body corporate established by order of the Secretary of State for Health.

The Department of Health and Welsh Assembly Government are regarded as controlling related parties. During the year the Dental Practice Board has had a significant number of material transactions with the Department of Health and Welsh Assembly Government, and with other entities for which they are regarded as the parent including:

	<b>£000</b>
Strategic Health Authorities, NHS Hospital Trusts and Primary Care Trusts for the use of their facilities for dental clinics	11
The Dental Vocational Training Authority where the Dental Practice Board provides paying agency services	10
The NHS Counter Fraud and Security Management Service who carry out checks to ensure patients are exempt from paying NHS charges.	9

There were no transactions with the NHS Pensions Agency other than in relation to pensions.

During the year none of the Dental Practice Board members or members of the key management staff or other related parties undertook any material transactions with the parties listed above.

The Dental Practice Board Chairman and a majority of non-executive members were required to be dental practitioners and may have received payments in respect of General Dental Services or Personal Dental Services. The officers had the same influence over the amount of these payments as any other dental practitioner and did not gain additional influence as a result of their appointment.

The Chairman Mary Wyllie and non-executive members Ruby Austin, David Ferns and Sandeep Lakhanpaul are dental practitioners. The gross payments (prior to any deductions of operating expenses) from General Dental Services and Personal Dental Services for these officers in the year to 31 March 2006 fell in the following bands (nil unless shown otherwise):

	<b>£000</b>
David Ferns	187
Sandeep Lakhanpaul	182

## 19 Post balance sheet events

Except for the dissolution of the Dental Practice Board there are no events materially affecting these financial statements since the balance sheet date.

## 20 Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way the Dental Practice Board was financed, the Dental Practice Board was not exposed to the degree of financial risk faced by business entities. Also financial instruments played a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Dental Practice Board had no powers to borrow or invest surplus funds and financial assets and liabilities were generated by day-to-day operational activities rather than being held to change the risks facing the Dental Practice Board in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than from the currency profile.

### Liquidity risk

The Dental Practice Board's net operating costs and capital expenditure were financed from resources voted annually by Parliament and it was not, therefore, exposed to significant liquidity risks.

### Interest-rate risk

All the Dental Practice Board's financial assets and financial liabilities carried nil rates of interest and it was not, therefore, exposed to interest-rate risk.

### Foreign currency risk

The Dental Practice Board had no foreign currency income or expenditure and it was not, therefore, exposed to foreign currency risk.

### Fair values

The book values equal the fair values of the Dental Practice Board's financial assets and liabilities as at 31 March 2006.

21 Intra-government balances

	Debtors: Amounts falling due within one year £000	Creditors: Amounts falling due within one year £000
Balances with other central government bodies	563	607
Balances with NHS Trusts	-	2
Balances with bodies external to government	598	577
	<hr/>	<hr/>
At 31 March 2006	<b>1,161</b>	<b>1,186</b>
	<hr/> <hr/>	<hr/> <hr/>

	Debtors: Amounts falling due within one year £000	Creditors: Amounts falling due within one year £000
Balances with other central government bodies	682	442
Balances with NHS Trusts	-	2
Balances with bodies external to government	457	964
	<hr/>	<hr/>
At 31 March 2005	<b>1,139</b>	<b>1,408</b>
	<hr/> <hr/>	<hr/> <hr/>

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