

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL

29 September 2026

Dear Grant Thornton UK LLP

Herefordshire Council Financial Statements for the year ended 31 March 2026

This representation letter is provided in connection with the audit of the financial statements of Herefordshire Council (the "Authority") and its subsidiary undertaking (the "group") as shown in Appendix I to this letter, for the year ended 31 March 2026 for the purpose of expressing an opinion as to whether the group and Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the group and Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the group and Authority financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of Property, Plant and Equipment and Investment Property. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

- vii. Except as disclosed in the group and Authority financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the group and Authority has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. We also confirm that there are no additional known liabilities in relation to equal pay claims.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the group and Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the group and Authority means that, notwithstanding any intention to cease the group and Authority operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the group and Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Authority's ability to continue as a going concern need to be made in the financial statements
- xiv. The group and Authority has complied with all aspects of ring-fenced grants that could have a material effect on the group and Authority's financial statements in the event of non-compliance.

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the group and Authority from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Authority, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the group and Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the group and Authority's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit and Governance Committee at its meeting on 29 September 2026.

Yours faithfully

Name	Rachael Sanders
Position	Director of Finance
Date	29 September 2026

Name	David Hitchiner
Position	Chair of Audit and Governance Committee
Date	29 September 2026

Signed on behalf of the Authority

Appendix I

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Appendix II
Unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on surplus/deficit of the provision of services £'000	Impact on general fund £'000	Managements reason for not adjusting
<u>IAS19 Pension Actuarial Valuations:</u> To ensure the draft accounts can be finalised within reporting timeframes, management commission two IAS19 reports. The first uses 10-month actual payroll data, with two months estimates. The second using a full 12 months actuals. The second report was received in May 2026, and we have reviewed this to ensure there is not a material difference. In summary, there is an overall net nil impact on the balance sheet.	NA	Dr Pension Asset 4,244 Cr Asset Ceiling Adjustment 4,244	NA	NA	Impact is net nil overall and the update is not material.
<u>IAS19 Pension Actuarial Valuations:</u> The auditors of Worcestershire Pension Fund in their assurance letter made us aware of a factual error whereby fund assets were overstated at year end. This occurred because there was a drawdown of investments just before year end, but this was not communicated to the Pension Fund team until after the accounts were finalised.	NA	Dr Pension Reserve Cr Pension Assets £2.108m	NA	Dr Pension Reserve £2.108m	Not material
<u>Property, Plant and Equipment Indexation:</u> Our testing identified two errors in the indexation performed; 1 – An understatement of £440k was noted relating to the Energy from Waste asset where management had incorrectly calculated the indexation uplift. 2 – An understatement of specialised assets valued under the depreciated replacement cost methodology of £1,087k was identified. This stemmed	Cr Other Comprehensive Income (OCI) £1,527k	Dr Land and Buildings £1,087k Dr Plant and Equipment £440k	NA	Cr Revaluation Reserve £1,527k	Impact is not material.

from the valuer's use of indices from Q2 2025 to Q1 2026 when they should have used Q1 2025 to Q1 2026 which would account for the whole years movement. Note that we raised a separate recommendation on this point (See page 36 of AFR)

Property, Plant and Equipment Valuations:

During our testing we identified five assets which had non-significant differences in the floor areas used in the valuation compared to the council's records. The floor areas in these cases were overstated which causes the value of the assets to be overstated.

This has resulted in the following unadjusted misstatement in the accounts. Note that this is similar to that identified in the prior year on the pages below. Please note that the adjustments are a mix of factual and extrapolated errors.

Dr Service Expenditure £691k

Dr Other Comprehensive Income (OCI) £203k

Note – The debit to service expenses is due to some of the assets impacted having no revaluation reserve balance

Cr Land and Buildings £894k

Dr Service Expenditure £691k

Dr General Fund £691k

Dr Revaluation Reserve £203k

Impact is not material.

Property, Plant and Equipment Valuations:

During our testing of the obsolescence, we identified one asset (Hereford Grafton County Caravan Site Ross Road) for which we were unable to fully evidence the build year. The build year is an important element of the obsolescence calculation. The valuer had used 1980 as a build year and Council records indicated 1992. The implication is that if the Councils records are correct then too much obsolescence has been applied and the

Cr Other Comprehensive Income (OCI) £696k

Dr Land and Buildings £696k

NA

Cr Revaluation Reserve £696k

Impact is not material.

assets are understated. The error noted on this asset was £84k and extrapolated across the population the impact could potentially be £696k.

Overall impact of current year unadjusted misstatements	Dr Services £691k	Cr £779k	Dr £691k	Dr General Fund £691k
	Cr OCI £2,020k			Dr Pension Reserve £2,108k
				Cr Revaluation Reserve £2,020k
