

A new code of conduct, how this might be useful for local authority companies

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In an era marked by the increasing complexity of corporate governance and the expanding role of directors, the Institute of Directors (IoD) has taken a significant step forward by issuing a new voluntary Code of Conduct for Directors of all companies.

This initiative is particularly relevant in the context of Local Authority Trading Companies (LATCs), which have emerged as a dynamic force in public service delivery across the UK, thanks to the powers provided by the Local Government Act 2003 and the Localism Act 2011. These LATCs, encompassing a spectrum from wholly owned companies to joint ventures and social enterprises, present unique challenges and opportunities for directors, especially those who are also senior officers or politically elected members of the local authorities that are shareholders or members of these LATCs.

The dual role of these directors introduces a complex interplay of competing legal duties: those owed to their councils and those owed as directors to their LATC. Furthermore, the transition from political roles to corporate governance often leaves officers and elected members in unfamiliar territory, grappling with the requirements and responsibilities of directorship. The IoD's Code of Conduct for Directors emerges as a crucial tool in this landscape, offering guidance and principles to help directors navigate their roles with integrity, accountability, and foresight.

The six principles

The Code is anchored in six foundational principles of director conduct, each designed to address the multifaceted challenges directors face, this is particularly helpful in the unique setting of LATCs.

1. Leading by example

This principle underscores the importance of directors setting high standards in their personal conduct and decision-making. For LATC directors, this means embodying the values, ethics, and commitments expected by both the LATC and the local authority, actively demonstrating these commitments through daily actions. Leading by example fosters a culture of integrity and excellence within the organisation.

2. Integrity

Integrity involves acting with honesty, adhering to strong ethical values, and consistently doing what is right. LATC directors must navigate potential conflicts of interest with transparency and prioritise the organisation's interests, ensuring their decisions balance the strategic objectives of the LATC with the broader public service mission of the local authority.

3. Transparency

This principle is about making decisions and taking actions in an open, honest, and clear manner. It calls for LATC directors to provide stakeholders with accurate and timely information, ensuring that decisions are made transparently and are perceived as fair and reasonable. Transparency is key to maintaining trust and confidence among stakeholders.

4. Accountability

Accountability means being answerable for one's decisions and actions. For directors of LATCs, this entails a dual accountability: to the company and to the public. Directors must subject their decisions to scrutiny, being prepared to provide an honest account of their conduct, thereby reinforcing the governance structure and public trust.

5. Fairness

Fairness involves making decisions impartially, based on merit, and treating people equitably without discrimination or bias. In the context of LATCs, this principle is crucial for ensuring that decisions reflect the diverse needs and interests of the community, fostering a culture where diversity is embraced, and all individuals have the opportunity to excel.

6. Responsible business practices

This principle highlights the importance of integrating ethical and sustainable practices into business decisions, considering the societal and environmental impacts. LATC directors have a unique opportunity to lead by example in responsible business practices, aligning strategic objectives with positive outcomes for stakeholders and the environment.

Navigating the complex landscape

The IoD's Code of Conduct for Directors is a helpful guide for directors navigating the intricate balance between competing issues in LATCs. It acknowledges the unique challenges faced by directors who must align the LATC's strategic objectives with the public service mission of the local authority, all while adhering to the highest standards of corporate governance.

The introduction of the Code is a call to action for LATC directors, especially those transitioning from political roles, to embrace these principles as a framework for decision-making. It underscores the need for appropriate training and support to equip directors with the knowledge and skills necessary to fulfil their roles effectively. By adhering to the principles outlined in the Code, directors can ensure that their LATCs navigate the complexities of local government trading activities with integrity, responsibility, and a commitment to excellence.

In conclusion, the IoD's Code of Conduct for Directors is more than just a set of guidelines; it is an essential tool for directors of LATCs striving to make decisions that are not only right for their businesses but also beneficial for society and the environment. As directors embrace this Code, they are equipped to lead their organisations towards sustainable success, setting a standard for corporate governance that is marked by integrity, accountability, and a profound commitment to public service.

Contact



Peter Ware

Partner

peter.ware@brownejacobson.com

+44 (0)115 976 6242

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