

Local authority bonds: making local investment to benef...

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It is a long time since I first wrote about the merits, as I saw them, of local authority bonds as the basis for local investment and, as importantly, local savings and pensions. That campaigning journey began in February 2003 with a New Economics Foundation publication entitled [People's Pensions](#). The idea has been revisited since, including in a 2010 publication called [Making Pensions Work](#). Both were co-authored with Colin Hines.

I think it fair to say [that the idea](#) got a warm reception at the COSLA conference yesterday. I won't reiterate the detail. The major point I made was on reframing this issue.

The reality is that there are savings in every community. And as I have long argued, many savings are literally wasted. Banks do not need deposits to lend. Pension saving in second hand bits of paper - which is a fair description of what most shares are - adds nothing to real economic activity. But a local authority that provides a bond mechanism for local saving does something quite different. What it does is keep local money in the local community to provide local employment to create local assets that underpin local services for the benefit of local people, now and in the future, who have in turn provided the local money to deliver this local outcome.

In the process they exploit what might appropriately be called, in economic terms, the local multiplier. Especially in areas of need the more money that can be kept circulating within, rather escaping out of, the local economy the more likely it is that local economic regeneration will occur.

In this way local bonds have to be seen as local investment, and not local borrowing.

Local councils are not when doing this going cap in hand to communities for funds they could otherwise get from the Public Works Loan Board, who provide most local authority capital funding right now. They are instead providing a local savings service to provide a local regeneration opportunity in which, I would suggest, it is vital that local people are involved as decision makers.

I would stress that I am not saying local authority bonds solve all local authority funding issues because they clearly do not. But let me contextualise this. Theresa May offered 5,000 new council houses a year this week. Proportionately that would put 400 of those in Scotland. I am not saying that is insignificant. I am saying that this only scratches the surface of need. And that, for starters, doing more on this is a perfect use for local authority bond finance.

There will be other more adventurous uses too: energy is the obvious next sector.

After that local investment funds may be possible.

But appropriate first steps are required.

My suggestion yesterday was that there is a wall of savings money needing a decent home right now and that local authorities could house that money to provide the housing local people need. It's a partnership made for Ayrshire to Aberdeen, and the Borders to Orkney, in my opinion.