It's time for

WELLINGTON WORKS

The Report

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Forewords

Edward Miller, Researcher at the Centre for International Corporate Tax and Accountability Research.

The increasing control of local services by thinly-capitalised multinationals whose complex structures wind thr*ough tax havens and secrecy jurisdictions raises serious questions about who benefits from council spending. The Wellington Works report provides an important bulwark to the blind allegiance that the private sector always delivers services more efficiently.*

It identifies key headwinds to private sector efficiency, including the need to deliver profits to shareholders, higher costs of private sector finance and the costs of a bureaucracy of monitoring and compliance. It then providing concrete examples of how insourcing frontline services like cleaning and security services would reduce costs for ratepayers. As contracts come up for expiry, we urge Councils to consider the full cost of outsourcing when answering the question of who benefits.

Tayla Forward, Research Fellow of the World Inequality Lab, Associate Researcher across universities in New Zealand, former economic advisor to the Minister of Finance.

The Wellington Works report makes a timely and analytically credible contribution to a debate that has too long been framed in false terms. Orthodox fiscal frameworks systematically quantify the costs of public debt while treating the benefits of public investment as speculative. The dominant logic of outsourcing has for decades precisely costed contractor bids while treating the erosion of institutional capability, the accumulation of information asymmetries, and the socialisation of residual risk as acceptable externalities - costs not appearing on any balance sheet until the crises materialise.

The report's modelling demonstrates that the insourcing of services such as professional advice, cleaning and security need not represent fiscal imprudence; in many cases it represents a correction of a structural bias that has, for four decades, mistaken the erosion of in-house capacity for efficiency. The argument that privatising public services is a win-win, not a zero-sum game, does not stand once the erosion of public sector capacity is considered - really, if the private sector has profited, it has been directly Wellington Council's loss.

Wellington Works is asking the Council to apply fiscal discipline symmetrically - to count what has previously gone uncounted, and to recognise that a city which has outsourced its way to ignorance about how its own infrastructure functions, and impotence to act beyond a profit motive when crises inevitably strike, is not, in any meaningful sense, a city that has managed its risks well.

David Hall, Visiting Professor at the University of Greenwich, London, and former Director and current member of the Public Services International Research Unit (PSIRU).

This report is a very welcome addition to a global swing away from ideologically driven outsourcing. The 1990s were the heyday of outsourcing and privatisation, but since then, the effects on services and finances have led to an increasing number of cities and other public authorities around the world re-appraising and reversing these policies.

By 2010, this was identified as a major global trend of 're-municipalisation', which has continued to grow. This trend was reflected in academic empirical studies, which have repeatedly found, across sectors, that the ideological assumption of superior private efficiency was unfounded. Even the IMF conceded that "the theory is ambiguous and the empirical evidence is mixed". Work in the water, energy and waste-to-energy sectors has shown that the capital investment expected from the private sector does not materialize on the scale necessary to address problems of pollution and modernization. The impact of consultants such as McKinsey has been shown to be not only poor in terms of performance, but also undermining democratic policy-making processes.

In adopting the proposals in this report, Wellington will be joining major cities around the world.

In 2010, the city of Paris re-municipalised its water services after 25-years of outsourcing, a decision which helped make the river Seine clean enough for swimming for the 2024 Olympic Games.

Under a 2022 agreement with the unions, the Australian Capital Territory (ACT), which covers Canberra, has already insourced hospital cleaning and catering, and maintenance work on public housing.

The Netherlands actually made it illegal to outsource water or energy grid systems, and the large cities of Rotterdam and Amsterdam run public transport directly.

London reversed the expensive outsourcing of its underground system capital maintenance.

The trend continues in 2026. New York's newly elected mayor has initiated a major efficiency review focused on wasteful contracts, which has already resulted in the saving of millions by insourcing IT and consultancy work. In March 2026 the Starmer government in the UK required all government departments to assess all contracts worth more than £1million to see whether the work could be better done inhouse.

'Wellington Works' is a welcome addition to this process. It sets out clear objectives for finances and performance, and presents a series of practical steps to be taken, based on an understanding of how the city council actually works.

About this report

We are now forty years into an economic experiment that has severely eroded public service capacity and raised costs for ratepayers. By outsourcing public services for decades, the Wellington City Council has lost expertise and capacity and is now forced to rent back its lost knowledge, skills and assets from high-priced firms whose primary objective is value extraction rather than public service. Ultimately, this cycle socialises the risks and costs of service failure—as the government remains the provider of last resort—while privatising the knowledge and profits gained from public investment, fundamentally undermining the state's democratic mandate to lead and govern effectively.

The Council now stands at a fiscal and operational crossroads. This report proposes a way out—a sketch of a roadmap to turn the tide against outsourcing and begin restoring public service capacity in Wellington.

All estimates presented in this report are based on reasonable estimates and assumptions derived from publicly available information; however, our ability to provide fully accurate costings is limited due to the lack of public information about council contracts. In any case, the purpose of this report is to illustrate, by way of a few examples, that obtaining the non-financial benefits of insourcing for workers, communities and Council need not come at the cost of fiscal prudence, and may indeed deliver cost savings in some cases. The report does not purport to solve all of Wellington's economic problems.

Wellington Works proposes three key actions:

1. **Investigate insourcing "low-hanging fruit" services**
2. **Fix the Procurement Strategy and Procurement Policy**
3. **Actively oversee Tiaki Wai and CCOs**

What is Wellington Works?

Wellington Works is a campaign by Unions Wellington—the local affiliate of the New Zealand Council of Trade Unions (NZCTU)—dedicated to putting workers, Wellingtonians and the spirit of public service back at the centre of local public services in Wellington city.

By advocating for returning the delivery of local services from private contractors to directly employed council workers, the Wellington Works campaign aims to ensure higher standards of service delivery, improved job security and fairer wages for workers, while increasing democratic accountability and long-term cost-effectiveness for the city's residents and ratepayers.

The campaign highlights that insourcing allows the council to retain specialist expertise and maintain better oversight of public assets, positioning the “Wellington Works” model as a more resilient and community-focused approach to local government service delivery than the failing status quo.

What are the Council’s obligations?

The Council’s service delivery choices are not just a matter of economic preference; they are governed by a robust legal and policy framework that mandates a proactive approach to evaluating all delivery options. This section details the specific statutory duties and policy commitments that require the Council to assess insourcing against outsourcing and prioritise long-term public value.

Service Delivery Reviews

The Council operates under a robust and detailed legal framework, primarily the Local Government Act 2002, which dictates how it must evaluate service delivery. Section 17A of the Act is particularly crucial, as it mandates regular reviews of the cost-effectiveness of infrastructure, public services, and regulatory functions.

These reviews are not optional; they must occur every six years at minimum, or whenever a significant contract is nearing expiry or a major service level change is proposed. During these reviews, the Council is legally required to identify and assess all reasonably practicable options, including full insourcing, “hybrid” outsourcing to Council Controlled Organisations (CCOs), and outsourcing to the private sector:

MODEL	Governance and Funding	Delivery
Insourced	Council	Council
Hybrid (local)	Council	CCO
Hybrid (shared)	Joint committee/shared governance	CCO or other council
Outsourced (local)	Council	Contractor
Outsourced (shared)	Joint committee/shared governance	Contractor

The law prevents the Council from simply defaulting to the status quo (at least in theory), requiring a proactive search for the most efficient and effective delivery model.

Council's Purpose and Policies

Beyond mere cost, the Council's decision-making is guided by its statutory purpose to promote the social, economic, environmental, and cultural well-being of the community.

This is operationalised through a hierarchy of procurement documents, including the Procurement Strategy and the Operational Procurement Policy. These policies shift the focus from the lowest upfront price to "best value", which accounts for whole-of-life costs and broader outcomes.

Under its Broader Outcomes and Economic Wellbeing strategies, the Council has committed to considering social impacts, such as adherence to the Living Wage, proactive partnerships with Māori and environmental sustainability. This means that when considering whether to insource a service, the Council should also weigh whether an in-house team might better deliver these secondary social and environmental benefits compared to a private contractor.

Sector-specific Rules

Sector-specific legislation also creates a patchwork of obligations that can either mandate or prohibit certain delivery models. For instance, the Land Transport Management Act 2003 generally prohibits the Council from using its own employees for land transport services funded by the National Land Transport Fund, though important exceptions exist (as discussed below). Conversely, some legislation encourages or requires insourced delivery. We have factored these sector-specific rules into our analysis. In most areas, there are no specific legal bars to insourcing.

The Outsourcing Problem

Current Fiscal Context

Persistent inflation, rising insurance premiums, and the high cost of servicing debt have placed unprecedented strain on ratepayer affordability. In April 2026, research commissioned from Infometrics revealed that Wellington City Council's residential rates have more than doubled since 2012. At that time, rates accounted for 2.2 per cent of household income; by 2025, this figure had reached 3.8 per cent on average, with some suburbs such as Oriental Bay seeing rates as high as 7.5 per cent of household income.

The Council's operational budgets are under significant strain. Budgetary slippage has become a persistent feature of the outsourcing model. In a high-debt environment, the Council must maximise the value of every dollar spent for the community it serves. Insourcing provides a direct lever for this control by internalising the surplus that would otherwise be extracted by private contractors and guarantees better, secure jobs in the process. The recapture of contractor profit margins through insourcing represents a necessary and pragmatic fiscal tool over the medium-to-long term, rather than an ideological preference.

The Cycle of Outsourcing

When a council positions itself as a customer in a limited market for specialised services, the economic logic that outsourcing creates competition-driven savings can effectively collapse, replaced by a structure that necessitates higher public spending. At the core of this is the fundamental requirement for profit. A contractor is not a charity; their bid must include a profit margin—typically ranging from 10 to 20 per cent—to satisfy shareholders or owners. This is an immediate "surcharge" on the actual delivery of the service that simply does not exist in an insourced model. When the council does the work itself, every dollar of the budget can theoretically go toward the service or the workers; when it outsources, a significant slice of that budget is redirected away from the community and into private equity.

Beyond profit, the council ends up subsidising the contractor's private wealth through the pricing of capital. Private firms generally face higher interest rates and more stringent borrowing conditions than local government, which can access low-interest funding through the Local Government Funding Agency (LGFA). When a contractor builds the cost of their machinery, vehicles or IT systems into a contract, they aren't just charging for the use of those tools; they are charging the council for the interest on their loans and the depreciation of those assets. Essentially, the ratepayer pays for the contractor to own their fleet. If the council insourced the service, it would own those assets at the end of the term, building public wealth; instead, it pays for the assets to be "consumed" by a third party, often leaving the council with no equipment and no choice but to sign another expensive contract when the old one expires.

This dynamic is exacerbated by the "information asymmetry" that develops when a council stops doing the work itself. Over time, the internal expertise required to know what a service *should* cost vanishes, leaving the council vulnerable to price-gouging. In a market where there are only a handful of large-scale providers—a common scenario in New Zealand, for example in the infrastructure, waste and election services sectors—these firms can price their bids not based on the actual cost of delivery, but on the maximum "pain point" the council is willing to bear. Without the internal capability to "shadow bid" or run the service themselves as a credible alternative, the council loses its bargaining power. The contractor knows the council is a captive customer with a statutory and social obligation to provide the service, allowing them to inflate costs through "variations" and "unforeseen complexities"—or just good old-fashioned price gouging—that the council no longer has the technical literacy to challenge.

Finally, there is the hidden "dead weight" of transaction and management costs. Outsourcing does not remove the need for management; it simply shifts it (and duplicates it) from managing people to managing contracts. This requires a small army of procurement officers, contract monitors, and legal teams to (attempt to) ensure the contractor is actually meeting their KPIs. These administrative layers add little to no direct value to the service itself—they are essentially defensive costs intended to prevent the contractor from cutting corners to protect their profit margin.

When you add the contractor's profit, their higher cost of capital, and the council's own monitoring bureaucracy, the "efficiency" of the private sector becomes an expensive myth in many cases. The council ends up paying a premium for the privilege of knowing less and less about how its own city functions. The issue is compounded when these professional management services are themselves outsourced—a common practice for legal advice, for instance, often coming at great expense to ratepayers.

The (Partial) Myth of Risk Transfer

The common argument that outsourcing transfers risk to the private sector is often overstated. In reality, the council generally remains the risk-taker of last resort. When a critical city service fails, the public holds the council—not a faceless contractor—accountable. While risk transfer is a genuine benefit in certain cases, outsourcing can often create a "risk premium" without actually removing much of the underlying cost of liability.

Health and Safety: Non-Delegable Duties

Under the Health and Safety at Work Act 2015, it is legally impossible for a council to contract out of its primary duty of care. Whether a service is insourced or outsourced, the council remains a "Person Conducting a Business or Undertaking" (PCBU). New Zealand councils have been held liable for the failings of their contracted agents.

Arguably, risk might even be lower when services are insourced. Direct employment provides the council with first-hand oversight and the power to control health and safety conditions immediately, rather than relying on the lag of contract monitoring or auditing.

Industrial and Operational Risk

Outsourcing is often sold as a way to insulate a council from industrial action or wage pressure. This is an economic fiction. First, any disruption to city services or increase in labour costs at the contractor level is ultimately borne by the council as the principal. Second, insourcing allows the Council to leverage its existing relationship with unions and have staff on a single collective agreement. By ensuring workers are paid at least the Living Wage, the council reduces the volatility and high turnover often seen in low-bid private contracts, creating a more stable and resilient workforce.

The Insurance "Hidden Margin"

While it is true that carrying out more activities increases the potential for negligence or other civil claims, in practice this is a matter of insurance, not a reason to outsource. When a contractor insures a service, the premium—plus their own overhead and profit—is factored into the price the council pays.

Given the council is likely to be viewed as a safer and more reliable body to insure than many contractors, it can likely obtain insurance coverage at a more affordable rate, meaning the "outsourced" insurance model may in many cases be a more expensive way to pay for the same protection rather than an effective means of reducing risk.

What should the Council do?

This report outlines a strategic pathway for Wellington City Council to transition towards a more resilient, insourced service delivery model. By moving beyond the outdated notion that the state is merely a "market fixer" or a passive manager of contracts, the Council can reclaim its role as a lead investor, preferred employer and value creator for the city.

We suggest three key actions:

The Wellington Works Proposal: Three Key Actions

1. **Investigate insourcing "low-hanging fruit" services**
2. **Fix the Procurement Strategy and Procurement Policy**
3. **Actively oversee Tiaki Wai and CCOs**

Action 1: Investigate insourcing "low-hanging fruit" services

The Council should immediately prioritise consideration of insourcing for services that meet key feasibility tests of low up-front capital investment and minimal legal barriers. Those facing imminent contract expiry should be the initial focus. By prioritising these low-hanging fruits, the Council can begin to rebuild the internal skills and feedback loops required to sense and respond to the city's needs without having to pay expensive consultants for a PowerPoint presentation on the problem of the day. These initial wins would provide the operational confidence needed for more complex transitions later.

Initial suggestions (noting the need for more fulsome analysis by Council with the benefit of full information) are:

- Professional services such as engineering and non-litigation legal services
- Facilities cleaning
- Security

These are expanded on in more detail later in this report, along with further notes on other service areas of interest.

Action 2: Fix the Procurement Strategy and Procurement Policy

To move beyond ad-hoc decisions, the Council should rewrite its Procurement Strategy to better promote genuine value creation and investment in public service capability, as well as the broader outcomes referred to above. The current Strategy blends commercial goals and New Public Management principles with broader social and ethical considerations but does not give officers a clear steer on the Council's procurement policy direction.

The Council is entitled to express a policy preference for in-house delivery where it makes good social and economic sense to do so. Current frameworks risk mistaking the lowest price for the best value, ignoring how private contractors often extract profit while shifting long-term social and environmental risks back onto the ratepayer.

The Council should amend its Operational Procurement Policy to explicitly prioritise "public value" over narrow "efficiency". This means directing staff to treat section 17A reviews as opportunities to build public service capacity, within necessary fiscal parameters. Instead of asking "can a contractor do this cheaper or more easily right now?" the question must be "how does delivering this ourselves enhance our ability to serve communities in the medium to long term?"

The legislation allows this: s 17A directs councils to consider "the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions". That is an inquiry about value and quality, not merely "efficiency" in a narrow sense. It also dovetails with the broader purpose of local government.

The Council should also amend the Transport Procurement Strategy to pave the way for the changes set out below in the detailed analysis of transport services, taking into account the Western Bay of Plenty case study.

These shifts would ensure that the Council is no longer a passive purchaser of services, but an active shaper of the local economy.

This is all the more important given the current Government's move to remove the requirement for regular reviews under section 17A.

Action 3: Actively oversee Tiaki Wai and CCOs

A significant portion of Wellington's public spend is currently "lost" through secondary outsourcing, particularly within Council-Controlled Organisations (CCOs). There is a risk of history repeating itself with Tiaki Wai, our new regional water entity. These entities often act as conduits for a "shadow state" of consultants and private firms who thrive on a lack of internal public sector expertise.

The Council should endeavour to use statements/letters of expectations to direct a capacity-first approach. This might involve a cap on the use of external management consultants for core strategic work and a requirement that CCOs demonstrate how they are building their own in-house workforces.

For Tiaki Wai, the Council should use its position as a shareholder and partner to advocate for a regional workforce that retains skills in-house, preventing a scenario where public infrastructure knowledge is privatised and then rented back to the city at a premium. The mechanism for doing this is set out in more detail below in the section on water services.

Service Areas of Interest

This section applies the key actions identified above to specific council services, providing an analysis of the feasibility of insourcing in select service areas. The analyses below are merely a starting point to stimulate discussion about what is possible and in the public interest. It is important to reiterate that the purpose of this report is to illustrate, by way of a few examples, that obtaining the non-financial benefits of insourcing for workers, communities and council need not come at the cost of fiscal prudence, and may indeed deliver cost savings in some cases. The report does not purport to solve all of Wellington's economic problems.

We note our ability to provide detailed analysis is significantly limited by the dearth of publicly available information about the contracts currently held by the Council, which a series of LGOIMA requests have failed to produce. We have therefore proceeded by making educated guesses and inferences from publicly available information. Ultimately it will be for the Council to explore options for insourcing in more depth, and we encourage and support councillors and officers doing so.

Note on Methodology

This is not intended to be a comprehensive policy document or a substitute for proper in-house analysis. We therefore do not provide a detailed methodology section for each item. Generally, our estimates are derived by reconstructing service delivery costs from the ground up, attempting to calculate the actual cost of labour and equipment required to meet Council standards independently of existing contractor pricing.

By way of example, the financial analysis for security services applies standard NPV methodology over a 10-year horizon using a 5 per cent discount rate. Assumed service scope follows prior tender documents, assuming 10 active 24/7 posts staffed by 50 frontline FTEs based on a 5:1 shift coverage multiplier for rotations and leave. Personnel costing is anchored to the 2026/27 Living Wage ($29.90/hr) with 26.5 per cent labour on-costs (KiwiSaver, ACC, leave). The fully burdened in-house operating cost is modelled at ~$7.07m p.a., inclusive of dedicated internal contract and operations management and non-labour operating inputs (fleet running, communications, systems and overheads). Outsourced costs are modelled at ~$7.92m p.a., derived from 2022 LGOIMA-disclosed baselines and adjusted for consolidation and escalation to the model year. CAPEX includes 22 2026-spec electric vehicles (MG4 or equivalent) and a centralised communications hub, with Year 0 setup CAPEX of $2.884m net of ~$0.7m subsidies/pre-budgeted expenditure and a nominal Year 6 asset refresh of $3.075m (high utilisation/obsolescence, unsubsidised), plus an estimated residual fleet value at Year 10. Contractor margin is estimated at 12.5 per cent by reverse engineering the gap between past contract award pricing and mandatory cost components.

Professional Services

In the realm of professional services—specifically engineering and non-litigation legal services—the Council has become a large-scale buyer of advice, often paying high-priced firms to perform functions that were once core internal competencies.

The Sludge Minimisation Facility: A Case Study in External Dependency

The Te Whare Wai Para Nuku project, which is now facing considerable cost blowouts, has flown in Australian consultants at a cost of $3,500 per day to provide the confidence and expertise that internal teams apparently could not:

Consultancy Category	Cost To Date (since 2022)	Total Budgeted Fee
Design, Consenting & Monitoring	$31,056,415	$39,415,847
Financial & Commercial Management	$4,036,814	$7,972,069
Project Management	$4,781,105	$8,462,677
Total Professional Services	**$41,196,892**	**$58,800,593**

The fact that the Council is budgeting nearly $8.5 million just for external project management and $8 million for financial and commercial management on a single project indicates a profound lack of internal oversight. These are not specialist engineering tasks; they are core management functions that have been privatised at a premium.

That consultancy budget alone would go a long way in hiring salaried professional advisors who would not only save the 10–20 per cent profit margin on consultant fees but also rebuild the institutional memory required to be a powerful purchaser when external specialists are genuinely needed.

In the absence of detailed, publicly available data on professional services spend it is difficult to make detailed estimates of cost savings, but it is clear that significant savings could be achieved in this area through insourcing with negligible CAPEX.

For example, we estimate the upfront capital expenditure required to onboard an additional 12 FTE in-house legal counsel and 25 FTE in-house consultant engineers at under $300,000. Assuming conservative outsourced rates of $400/hour and $250/hour for legal and engineering services respectively, that number of insourced staff would deliver a Net Present Value (NPV) saving of approximately $40.9 million over a decade.

This projection factors in an inevitable hardware and workstation refresh in year five, while maintaining the following conservative assumptions:

- A 10 per cent salary premium to compete with the private sector for talent
- A 45 per cent corporate loading multiplier to reflect internal overheads
- An assumption of only 1,250 productive hours per FTE
- A 5 per cent discount rate applied to all future operational and capital cash flows

Our estimates are detailed below:

Cost Component (Annual Horizon)	**+12 FTE Legal**	**+25 FTE Engineering**	**Total**	**Key Assumptions**
10-year discounted external spend	$46,330,410	$60,326,054	$106,656,464	Present value of $13,812,500 annual spend over 10 years at a 5 per cent discount rate
10-year discounted in-house OPEX	$22,169,101	$43,106,585	$65,275,686	Present value of $8,453,500 fully burdened annual internal cost over 10 years
10-year discounted CAPEX	$80,266	$429,822*	$510,088	Initial $286,000 setup in year zero, plus a $286,000 hardware refresh in year five discounted to present value
Total 10-year discounted in-house	$22,249,367	$43,536,407	$65,785,774	Combined operational and capital costs over the 10-year horizon

cost				
10-year NPV saving	$24,081,043	$16,789,647	$40,870,690	

*Specialised engineering toolchains drive higher per-FTE CAPEX than legal.

The following non-financial benefits could be achieved in addition to considerable cost savings:

- **Institutional knowledge:** Retention of deep contextual understanding of local government law, legacy infrastructure and community needs within Council
- **Spirit of service:** Professional advisers would be motivated by public service outcomes and long-term civic goals rather than billable targets or profit margins
- **Operational agility:** Immediate access to expertise for urgent political or civic matters, bypassing the administrative friction and delays of external procurement and briefing
- **Stronger oversight:** Strengthening of Council's "intelligent client" function, providing better oversight and the ability to challenge the costs and quality of remaining outsourced work
- **Conflict mitigation:** Elimination of commercial conflicts of interest that occur when external firms represent other parties potentially at odds with council/public interests
- **Staff development:** Building a sustainable pipeline of public-sector-focused specialists who are integrated into Council's culture and long-term vision
- **Holistic integration:** Enabling experts to act as inside advisors during the early stages of policy design, rather than just providing reactive advice on finished proposals

Cleaning

Cleaners generally face precarious working conditions and historically poor treatment as workers, including along gendered and racial lines. Companies reap significant profits which are not passed on to workers. Council staff have told us that they view cleaners as coworkers and that they should be treated as such—employed as council staff rather than contractors.

Facilities cleaning services are a prime candidate for insourcing, provided upfront capital costs are managed carefully.

By applying standard NPV methodology over a 10-year horizon, we estimate the upfront capital burden against the long-term operational savings generated by eliminating the contractor's profit margin (estimated at 12.5 per cent). Our estimates assume an annual outsourced cost of approximately $7.92 million against a fully burdened annual in-house cost of $7.07 million (which includes dedicated internal contract and operations management):

Cost Component (10-Year NPV)	Outsourced	Insourced (subsidised)*	Notes/Assumptions
Y0 Setup (2027 CAPEX)	$0	$2,884,000	Reflects pricing after ~$700k in subsidies/offsets. Cash flow occurs in Year 0 (undiscounted)
10-Year Discounted OPEX	$61,143,267	$54,627,166	Present value of annual operational costs, discounted at 5 per cent over 10 years. In-house includes management overheads
Y6 Refresh (2033 CAPEX)	$0	$2,294,611	Present value of a $3,075,000 asset replacement in Year 6, discounted at 5 per cent
Y10 Residual Asset Value	$0	($629,263)	Present value of the estimated resale/trade-in value of the fleet at the end of the 10-year horizon
Total 10-Year NPV Cost	$61,143,267	$59,176,514	The total present value cost to the ratepayer over a decade
10-Year NPV Saving	**–**	**$1,966,753**	**~3.2 per cent total portfolio saving**

*Combination of budgeted Te Atākura expenditure, EECA Low Emissions Heavy Vehicle Fund contribution and EECA smart charger infrastructure contribution. Absent subsidies the 10-year NPV saving is reduced to roughly $1.26 million.

The following non-financial benefits could therefore be achieved with overall cost savings and zero impact on debt-to-revenue ratios in the medium-to-long term:

- Better terms and conditions of work for cleaners, reducing staff turnover and improving site-specific knowledge
- More publicly owned assets
- More direct control over cleaning services and a combined, dynamic cleaning workforce across sites
- Increased transparency over costs and outcomes

- A fleet of vehicles, site-experienced personnel and industrial equipment to improve the city's disaster readiness and resilience

Security

Like cleaners, security workers often face precarious working conditions, and often also work unsociable hours in high-risk environments for low wages. This makes a good, stable employer an attractive prospect to these workers.

Because of minimal capital requirements, security services (comprising both mobile patrol units and static guards) are another prime candidate for insourcing. As with cleaning, budget reallocation, subsidies and/or funding streams (such as Te Atākura budgeted expenditure and EECA/NIFFCo funding for fleet electrification) are vital to reduce the balance-sheet impacts of fleet acquisition for mobile units.

Our long-term NPV estimates demonstrate that while the upfront costs require careful management, the insourced model maintains a lower overall cost to the ratepayer over a decade. By capturing the contractor margin (estimated at 12.5 per cent) and converting it into internal savings, the Council can absorb the dedicated internal management overheads and still come out ahead:

Cost Component (10-Year NPV)	Outsourced	Insourced (subsidised*)	Notes/Assumptions
Y0 Setup (2027 CAPEX)	$0	$1,950,000	Reflects pricing after ~$470k in subsidies/offsets; cash flow occurs in Year 0 (undiscounted)
10-Year Discounted OPEX	$54,760,059	$49,329,017	Present value of annual operational costs ($7.09m outsourced vs $6.38m internal, including management), discounted at 5 per cent
Y6 Refresh (2033 CAPEX)	$0	$1,604,363	Present value of a $2,150,000 hardware/fleet replacement in Year 6, discounted at 5 per cent
Y10 Residual Asset Value	$0	($521,826)	Present value of the estimated $850,000 resale/trade-in value at

			the end of the 10-year horizon
Total 10-Year NPV Cost	$54,760,059	$52,361,554	The total present value cost to the ratepayer over a decade
10-Year NPV Saving	**–**	**$2,398,505**	**~4.4 per cent total portfolio saving**

*Combination of budgeted Te Atākura expenditure and EECA/NIFFCo funding for fleet electrification and smart-charging infrastructure. Absent subsidies the 10-year NPV saving is reduced to roughly $1.9 million.

Similar non-financial benefits would accrue as set out in relation to cleaning services.

Transport Professional Services

Wellington city transport services appear to be largely or entirely provided by private contractors at present. That is largely a function of the statutory requirement for outsourcing of certain services under the Land Transport Management Act 2003 (LTMA). We understand the major roading contracts have recently been re-awarded to the existing contractors until mid-2028.

By leveraging the section 26(c) professional services exemption in the LTMA, the Council could enhance its technical oversight and data sovereignty in transport services while reducing the high-margin costs currently paid to external providers for some if not all of these professional services. The recent *State of Transport in Wellington City* report repeatedly stated that crucial transport information was not known to the Council due to "limitations in available data sources". Insourcing services would go a long way to fixing that issue.

Our analysis is designed to be compliant with the NZTA Professional Services and Administration Funding Policy. Compliance would require allocation of professional service hours to specific work programmes, approval of an updated procurement policy for transport, and strict adherence to GAAP. But this shift is clearly possible, as the following case study shows.

Western Bay of Plenty: A Case Study in In-house Professional Transport Services

The Western Bay of Plenty District Council (WBOPDC) has implemented a comprehensive internalisation of its transport services to counter rising consultancy costs and a loss of institutional knowledge.

By June 2025, the council transitioned from a heavily outsourced model to a mature internal structure staffed by strategic contributors who handle network planning and professional advice directly. This shift was explicitly designed to build long-term organisational capability and ensure that technical expertise remains within the council rather than being rented through private firm billable hours.

By 2026, the approach has moved the council from being a passive purchaser of services to an active, informed manager of its transport assets, fostering better internal collaboration and strategic alignment without the overheads of the external consultancy market.

The shift to an in-house model would require modest upfront capital investment (approximately $40,000 total, with standard onboarding costs accounted for in the 45 per cent corporate loading figure) to provide the necessary technical tools. However, these costs are negligible compared to the ongoing operational savings achieved by eliminating consultancy profit margins and premium hourly rates.

Applying standard NPV methodology over a 10-year horizon confirms this fiscal viability. The following estimates allow for generous salary premiums reflecting market conditions, and adopt conservative assumptions (e.g. 1,250 productive hours, 45 per cent overhead loading, a four-year asset replacement cycle, and a 5 per cent discount rate applied to all future cash flows).

Our 10-year discounted estimates are detailed below:

Service Function (FTE)	**AoG Annual Cost (1,250 hrs/FTE)***	**In-house Annual Cost (1,250 hrs/FTE)**	**Annual Saving**	**10-Year Cumulative Saving**	**Key Assumptions**
Transport Analytics (3.0)	$1,056,000 ($281.60/hr)	$734,500	$321,500	$3,215,000	20 per cent talent premium
TTM Compliance (3.0)	$858,000 ($228.80/hr)	$604,000	$254,000	$2,540,000	15 per cent talent premium; includes specialist certification costs
TDM Coordinators (2.0)	$484,000 ($193.60/hr)	$320,000	$164,000	$1,640,000	10 per cent premium; focused on street-level school/workplace accessibility
Asset Surveying (2.0)	$407,000 ($162.80/hr)	$296,000	$111,000	$1,110,000	10 per cent talent premium for technical data roles

Gross Totals	**$2,805,000**	**$1,954,500**	**$850,500**	**$6,567,337**	Gross OPEX savings discounted at 5 per cent over 10 years
Net Savings after CAPEX				**$6,467,356**	Gross OPEX savings less 10-yr NPV CAPEX of $99,981 (Reflects the $40k Year 0 setup, plus $40k refreshes in Years 4 and 8, discounted at 5 per cent)

*Based on AoG rates plus levy. Cross-referencing WCC's total annual consultancy spend with known project volumes suggests an effective average hourly rate aligned with the "Senior Specialist" band.

We note additional savings (in reality, headcount reallocation) may also be possible due to the significant existing spend on contract management staff. For example, in the WBOPDC case study noted above, the Council disestablished 11 existing roles and created 15 new roles.

The following non-financial benefits could be achieved in addition to considerable cost savings:

- **Institutional memory:** Stops the brain drain where technical expertise disappears at the end of a contract; builds a permanent repository of local network knowledge.
- **Operational agility:** Enables rapid, same-day iterations on street designs or traffic signal tweaks without the administrative friction of scoping or contract variations
- **Enhanced accountability:** Salaried staff are directly accountable to the public interest and Council's strategic goals (such as climate resilience) rather than private firm profit margins or billable hour targets
- **Risk and compliance integrity:** Provides independent oversight of Temporary Traffic Management (TTM), removing the inherent commercial incentive for contractors to "self-audit" or overlook minor breaches
- **Cross-departmental interoperability:** Simplifies collaboration between transport and other in-house departments as staff can be deployed across multi-disciplinary projects without inter-firm billing or conflict barriers
- **Workforce resilience:** Establishes an internal "centre of excellence" that attracts talent, reducing the city's vulnerability to market fluctuations or consultancy capacity constraints
- **Strategic alignment:** Ensures technical decision-making is driven by the goals of the LTP rather than off-the-shelf industry templates

Elections

The Local Electoral Act 2001 implicitly acknowledges that electoral services may be outsourced to an external contractor, though there is no requirement to do so. Many councils (including the Wellington City Council) outsource these services to a contractor, Electionz.com Ltd.

We acknowledge the diseconomies of scale involved in delivering elections entirely locally. However, the current outsourced model is constitutionally inappropriate and a significant abdication of a crucial public function. Further, community engagement is a core part of electoral services, and the increasingly poor turnout at local elections in this city and beyond is an indicator that the existing contractor is not providing a high-quality service.

The Local Electoral Act also explicitly recognises that electoral services may be shared between councils. We encourage the Council to investigate the feasibility of publicly run electoral services, either with expertise, software and intellectual property being shared between councils on a regional or national basis, or with services provided directly by the Electoral Commission as for general elections.

We support the recommendation of the Review into the Future for Local Government to adopt the latter option and existing work by Council to explore that approach. In addition to cost savings, it would deliver a major win for local democracy.

Water (Tiaki Wai)

We do not suggest insourcing water services; that would be impossible in any case given the Council has already decided to establish Tiaki Wai as the new water entity under the new system set up under the Local Government (Water Services) Act 2025. Instead, we suggest the Council use its powers as a shareholder and partner in that entity to ensure it does not contract out water services to foreign companies at significant ratepayer expense.

The influence the Council has over Tiaki Wai is limited: it is one of a number of shareholders and partners, whose governance role is limited and carefully prescribed. But there remains an unexplored legal avenue for the shareholder councils to exercise operational influence in the interests of Wellington residents and ratepayers, utilising the Statement of Expectations mechanism under the Act. It is explained below for the benefit of councillors and other interested parties:

Statement of Expectations: The Section 228(4) Procedure

The shareholder councils can provide Tiaki Wai with long-term expectations and guidance on decisions and actions, and preparation of a water services strategy, via the Statement of

Expectations (SOE) issued under part 4, sub-part 1 of the Local Government (Water Services) Act. Section 227 sets out the mandatory and optional content of an SOE.

Section 228(3) says that an SOE must not include any requirements that: "(a) relate to the water organisation's performance or exercise of a duty, function, or power under this Act; or (b) require the water organisation to perform, or not to perform, a specified act, or to achieve a specified result, in relation to a specified person or persons". That is the provision limiting the councils' ability to issue specific operational requirements to Tiaki Wai.

But section 228(4) of the Act states that that restriction "does not apply if the water organisation's foundation documents provide otherwise". Tiaki Wai's "foundation documents" are the Partners Agreement and its constitution. This means the shareholders can "opt out" of the operational directions limitation in section 228(3) by clearly excluding it in one or both of these documents.

In simple terms, if they decide to, the shareholder councils can unlock the power to issue requirements relating to Tiaki Wai's "performance or exercise of a duty, function, or power" under the Act, or require Tiaki Wai "to perform, or not to perform, a specified act, or to achieve a specified result, in relation to a specified person or persons".

We urge the councils of the region (the Hutt, Porirua, Upper Hutt and Wellington City Councils, and the Greater Wellington Regional Council) along with the mana whenua partners (Ngāti Toa Rangatira and Taranaki Whānui ki Te Upoko o Te Ika) to consider exercising this option to ensure the purpose of the reforms—ensuring that public water assets are managed and operated in the public interest—is upheld by Tiaki Wai from its inception and into the future.

We also encourage the shareholder councils to consider their powers in relation to approval of significant transactions by Tiaki Wai under section 23(2) of the Act, and its oversight of the related significance and engagement decisions under sections 24 and 35(4) of the Act (see also section 23(1)(a)).

We also encourage stronger use of letters of expectations in relation to CCOs more generally.

Waste Management

Waste management is currently one of the most outsourced yet strategically vital components of the Council's infrastructure. The Southern Landfill is the only approved residual waste disposal facility for municipal solid waste in the city, making it a critical strategic asset. However, the current model of outsourcing landfill operations (to Leach & Co Ltd) and collection services (to EnviroWaste) creates a perverse incentive structure.

Private landfill operators and collectors profit from the volume of waste processed. This is in direct conflict with the Council's Regional Waste Management and Minimisation Plan, which aims to reduce waste sent to landfills by one third by 2027. EnviroWaste, currently holding the collection contracts, is owned by a shell company in the British Virgin Islands, which in turn is ultimately owned by a shell company in the Cayman Islands. In its most recent financial statement, EnviroWaste reported a 25.9 per cent rise in net profit—partly funded by ratepayer funds that could otherwise contribute directly to the Council's zero-waste initiatives.

Major contracts in this sector are set to expire on 30 June 2027, presenting an opportunity to consider a strategic shift:

Waste Service Component	Current Provider	Contract Expiry
Rubbish Collection	EnviroWaste	30/06/2027
Recycling Collection	EnviroWaste	30/06/2027
Landfill Operation	Leach & Co Ltd	30/06/2027

Given the considerable capital assets required to deliver these services, we are not in a position, without further information, to offer detailed analysis or proposals. But we encourage the Council to explore options for insourcing these services ahead of the contract expiries.

The long-term economic case is clear: it does not make sense to pay private contractors a premium to own and operate assets required to deliver services for which the Council is the only customer in the city. The challenge is navigating accounting requirements which punish councils for making bold investments in public assets and the future of public service delivery.

Epilogue

The choice before the Wellington City Council is not merely an administrative one; it is a profound decision about the kind of city we want to build for future generations. For too long, the logic of value extraction has governed our public services, leaving us with eroded expertise and a growing dependency on external interests.

This report serves as a call to reclaim our agency and transition toward a model of genuine value creation. By investing in our own people and public service capacity, we can build a city that is not only fiscally resilient but also equitable and accountable to its residents.

Together, we can build a future where Wellington Works.