

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**12<sup>TH</sup> NOVEMBER 2013**

**Report of the Director of Property**

**(COUNCIL SERVICES)**

**PLACE BASED ASSET MANAGEMENT – DEVELOPING A  
SEGMENTATION CUSTOMER INSIGHT MODEL**

**1. Purpose of the Report**

To seek approval to waive standing orders in relation to contracts in order to procure the services of a partner organisation to assist in developing a segmentation customer insight model for use in developing a new customer focused place based property asset strategy for Derbyshire.

**2. Information and Analysis**

The Changing the Way Derbyshire Works (CWDW) Accommodation Project has now been running for three years. Although it has resulted in reduced numbers of properties, revenue savings and capital receipts, it was driven solely by the need to reduce buildings in order to generate savings, rather than being customer focused and service led.

This report details the methodology, cost and resources required to determine an appropriate public sector property asset strategy for Derbyshire over the next 10 years based on the principles of customer insight and service demand.

The intention is to follow successful place based asset management models that have been or are being implemented in other parts of the country by local authorities such as Hull City Council, Leicester City Council jointly with Leicestershire County Council (with assistance from Hull City Council) and North Yorkshire (also with assistance from Hull City Council).

Place-based asset management means local public service providers collaborating on managing their land and buildings as a collective resource across an area; in effect treating it as one public estate.

A whole-area place-based approach to managing public assets across neighbourhoods will deliver savings in running costs, deliver capital receipts, cut carbon emissions and provide better public access to public services. Other spin-offs are that the close proximity of many public services under one roof will create synergies for joint working and economies from sharing resources.

Place-based asset management ultimately leads to fewer but higher quality public buildings that are better used. There is a persuasive body of evidence from published studies and case studies that this approach provides better value for money to the public purse than managing assets within organisation, service and administrative silos.

It requires all local public service providers, including the third sector, to work together with a shared ambition for their collective property assets with a collective understanding of the needs of local communities and how users want to access public services in the future.

In order to implement place based asset management, three specific areas of work or 'strands' need to be addressed:

- **Customer Mapping** - This strand builds a comprehensive customer insight that will inform decisions around capital and asset use both now and in the future. The information gathered needs to be drawn from a range of different sources and should include demographic information and transactional data from services along with market and social research findings. A population profiling tool will need to be developed to provide a classification system for Derbyshire which can be mapped and overlaid on asset maps;
- **Asset Mapping:** The geospatial mapping of all public sector assets needs to be undertaken to bring together asset ownership information into a single resource. Through the Space Derbyshire Project a central database has already been created that can capture details of all property assets owned or used by all public and third sector organisations in Derbyshire. This now needs to be populated so that the public sector estate can be easily identified to provide the base map on which the customer classification system can be overlaid and decisions on what the future asset base should look like can be made;

- **Capital Mapping** – Capital flows in to the county are complex with a plethora of funding streams from many different sources flowing in to a wide range of delivery bodies. Under this strand, work would need to be undertaken closely with partners to align capital expenditure programmes to a long term strategy and make informed decisions on where investment is necessary and sensible and also where disinvestment can take place.

There are a large number of customer profiling tools available to local authorities, many of which have licence costs attached and are provided by private sector organisations. The vast majority of these tools work on large national data sets which are re-modelled to local areas but they fail to accurately describe a specific local area as they are unable to accurately describe a particular and unique location, economy, geography or population make up.

Hull City Council has developed its own in-house population profiling tool by remodelling census data to create unique customer segments. It provides a classification system for the whole city that can be appended to other data sources.

Discussions with the lead officer on customer insight at Hull City Council have resulted in him confirming that he is able to assist the Council in developing a bespoke segmentation model and has provided three options on how Derbyshire County Council may wish to approach this work building capacity, skills and knowledge to develop, design and deliver our own unique segmentation model for the county. The attached proposal (Appendix 1) is a way of developing a combined property strategy for all public sector organisations in Derbyshire which is customer focused and service demand led.

The intention would be to work on all three strands with information currently held by Derbyshire County Council for the whole of the county and initially also capture data held by High Peak Borough Council and Bolsover District Council to provide comprehensive information in these two districts. The project would also look to other Space Derbyshire partners to provide all the information they hold on these two districts to enable a long term placed based asset management strategy to be developed for these two districts in the first instance.

Initial discussions have taken place with both High Peak Borough Council and Bolsover District Council, who have confirmed that they are interested in participating in the project. If Cabinet approves the recommendation in this report further detailed discussions will take place with both authorities

to enter into a formal agreement with them to capture the information they hold.

Once strategies for High Peak and Bolsover are being developed the project would then move on to capturing data and mapping the information on other districts within the county to enable long term placed based asset management strategies to be developed for the other districts.

It is important that this proposal should be seen as a corporate transformational project; therefore a cross departmental project team needs to be established with a full time dedicated change manager appointed to lead the project with a full time dedicated project team. It should not be a project led by Corporate Property nor be managed and implemented by staff with other responsibilities. In addition to a full time project team there should be sufficient capital and revenue budgets allocated to ensure successful implementation of service redesign with supporting property and ICT solutions.

Evidence from local authorities that are implementing similar change management projects suggests that a 10 year programme should be developed. In most cases it takes around two years to develop the strategy and a further eight years for that strategy to be fully implemented.

The costs of engaging a partner organisation to assist in developing a segmentation customer insight model for use in developing a new customer focused place based property asset strategy for Derbyshire are detailed in the options contained Appendix 1. In summary, there are three options for engaging with a partner, so the cost will depend on how the partner is engaged. The cost of the three options ranges from £8,495 to £24,995. In addition to this cost there will be the cost of IBM SPSS licences and it is estimated that two licences will be required at an annual cost of approximately £3,000. The dedicated project team could be formed by seconding existing Council staff with the necessary skills from their substantive posts.

The option that the Council should take will depend upon the type and quantity of data already held and the skills and capacity of County Council staff to develop a bespoke system. It is envisaged that the datasets will need to be continually updated therefore Option 2 would not appear to be appropriate as this option only provides the picture at a single point in time and does not allow for the development or updating of datasets.

The Council's Financial Regulations services require that tenders are obtained from at least three suppliers in order to ensure that the Council is achieving best value form a contract. However Cabinet may waive standing orders relating to contracts where members are satisfied that

there are exceptional circumstances which justify doing so, for example where the service can only be provided by one specialist supplier. The lead officer on customer insight for Hull City Council has developed the profiling tool referred to in the report and is the only person who is able to advise the Council on this specialist local authority focused area of work. Approval is therefore sought to waive standing orders relating to contracts, so that he can be engaged to work with the Council on this project.

### 3. Council's Commitment

Place based asset management will enable the delivery of the Council's five pledges and help deliver the aspirations of our partner organisations as follows:

**A local Derbyshire** – the information garnered allows for the engagement of communities by ensuring that all stakeholders have sufficient and relevant information to make informed decisions about how the services they require are delivered within their community;

**A Derbyshire that cares** – working more closely with partner organisations will enable joined up and more effective support for children, families, the elderly disabled and their carers;

**A safer Derbyshire** -- working more closely with partner organisations will help to fight crime and build stronger communities. The information gathered from customer insight will help in putting preventative measures in place in the communities where it is required;

**A healthy Derbyshire** – the sharing of property assets will help to preserve the provision of NHS services around the county and again, information gleaned from customer insight will assist in tackling health inequalities;

**A Derbyshire that works** – the joined up use of capital and property assets will enable the delivery of joined up services to communities that will create opportunities for business growth and jobs.

### 4. Financial Considerations

Any expenditure required to develop a segmentation customer insight model for use in developing a new customer focused place based property asset strategy for Derbyshire could be met from departmental underspends.

It is difficult to estimate the exact level of revenue savings and capital receipts that can be achieved by adopting a customer focused, place based property asset strategy, however there is evidence that the approach provides better value for money across the public purse. It is envisaged that many fewer buildings will be required by all public sector partners within a given location leading to substantial revenue savings and capital receipts for all partner organisations.

Furthermore the ability to target services and intervene early will inevitably save pressure on service provision and costs down the line. Particularly where there are causal effects e.g. non take up of early low cost interventions leading to very large costs to deal with the crisis later.

## **5. Legal Considerations**

The Council's Constitution permits the Cabinet to waive standing orders only where it is satisfied that there are special circumstances justifying exemption and such exemption shall be recorded in the Minutes.

The Director of Legal Services has advised that the circumstances described in this report justify the waiving of standing orders in relation to contracts.

## **6. Human Resources Considerations**

The individual roles in the Project Team will need to be identified and if new to the County Council, will need to be evaluated using the Hay Scheme. Recruitment to the Project Team will be in accordance with DCC recruitment and selection practices and may present redeployment opportunities for those employees deemed to be "at risk". Additional costs may be incurred if employees who are not "at risk" are appointed to the team if it is necessary to backfill their substantive post.

## **7. Other Considerations**

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality and diversity, environmental, health and transport considerations.

## **8. Key Decision YES**

## **9. Call-in**

Is it required that call-in be waived for any decision on this report? **NO**

## **10. Background Papers**

There are no background papers to this report.

## **11. OFFICER RECOMMENDATION**

Public

Agenda Item 7 (b)

That Cabinet approves the waiving of standing orders in relation to contracts to procure procurement of the services of a partner organisation to assist in developing a segmentation customer insight model for use in developing a new customer focused place based property asset strategy for Derbyshire.

JEREMY GOACHER  
Director of Property

CABINET 12<sup>th</sup> NOVEMBER 2013  
PLACED BASED ASSET MANAGEMENT – DEVELOPING A  
SEGMENTATION CUSTOMER INSIGHT MODEL – APPENDIX 1



## Developing a bespoke segmentation model





### Background

As part of Hull's work on its Capital and Asset Pathfinder and supporting others (Leicester, North Yorkshire) with the development of a customer insight tool, an alternative and wholly unique way of segmenting customers has been developed which pulls together key data sources.

This approach moves away from national profiled data and uses entirely free local data, built around a local classification of local census data. This is not based on a commercial tool nor the national OAC classification.

The alternative approach somewhat alleviates the issues associated with the national profiling problem and increases the level of accuracy of this type of work going forwards, particularly in light of the new census data release.

The model developed in Hull takes census data, creating unique clusters (segments) relevant to the area in question. Each clustered group is built upon 40-50 factors which are contained within the Census survey. This ensures that the classification of an area is built around the main issues which describe each area accurately depending on how the area is different to others.

Therefore once complete, any local authority using this approach will have a list of all post codes in their area with a segment no. attached, mapped to census output area. This then allows for other post coded data to be matched to the segments, building on top of the a priori method of demographic / socio economic segments with real local attitudinal and transactional data.

**Use local data its Free** - The most accurate information local authorities have access to, is their own data about their own citizens. The public sector sits on a vast array of data and information about its neighbourhoods and the people who live within them.

Councils are often information rich but intelligence poor, as much of this data is often not integrated, used for service planning or shaped in a way which allows people to access it. However if this information can be sourced and be put into databases for analysis it can form a significant chunk of a highly successful customer insight tool.

**A common problem** - However, many LA's don't have the required skills or knowledge to develop this approach on their own, given it requires significant applied statistical knowledge. This knowledge can be transferred and Hull is now working with a number of other LA's to build capacity in the public sector for this type of approach to segmentation

### **The Proposal**

This proposal sets out several options on how Derbyshire County Council may wish to approach this work building capacity, skills and knowledge to develop, design and deliver their own unique segmentation model for the county.

The options presented have been created to align to the current level of maturity of Derbyshire County Council assessing the differing levels of expertise that may or may not exist across the county.

#### **Option 1 – Training, coaching and Skills Transfer**

**(we train you how to do it yourself from scratch)**

##### **Rationale**

It may be that the authority already has proficient skills available in applied statistics or analytics. In this case building the segmentation tool for a particular area is focused on SPSS training (the most appropriate software to build the model) and the steps required to build the model. This option is more around skills transfer, coaching and training people so they are capable of developing their own segmentation model and have the skills to deploy it across the region.

The success of this option would be highly dependant of having the right people with the right skills levels (basic applied statistical knowledge or analytics). The authority would also need access to an SPSS licence.

##### **Using SPSS – a basic introduction (1/2 day)**

- Involves onsite 'shadow' training for SPSS statistical package for up to 4 people within Derbyshire County, to build basic capacity and knowledge using the required software.

##### **Applied Statistical Techniques – Factor and Cluster techniques a basic introduction (1 day)**

- Involves walk through training of how to apply factor and cluster analysis to a variety of different datasets, across different projects and sectors. Will help to build basic understanding of why they techniques are important and how they can be utilised for 'insight'.

**Identifying unique factors – a walk through on DCC data**

- Involves shadow session on applying the technique to DCC data and helping to identify key techniques to apply when undertaking the process. Will help DCC team on other projects and with any updates they wish to do with their own model.

**Clustering, building the segments – (1 day)**

- Involves a walkthrough of the clustering process on DCC data, identifying pitfalls and different techniques on how to ensure the clusters are robust. The output here will be DCC own unique 2011 segments.

**Ongoing Support until model development (5 days)**

- Covers ongoing support for helping those trained on the development of their own model and to provide advice or further technical help.

**Outputs from this element of work:**

- Have a fully developed robust segmented view of the region.
- Enhanced analytical or statistical skills for selected people/team
- Have a system of linking key data sources to the developed segmentation model

**Costs for this work – £8,495****Option 2 – Develop Segmentation model and linked datasets**

(We build it for you and link the pre defined key datasets and hand it over as a finished product – this would be linked to pre determined programme)

**Rationale**

This option focuses on developing the model in an authority where skills are limited and it's unlikely that the capacity to design the model and link data to it is not present. Therefore this option is a full service arrangement where by the model will be developed on behalf of DCC and pre identified key datasets will also be identified to be linked to the finished model. If DCC had specific programmes of work or projects they wanted to focus on, then this option would allow for the model to be developed and all relevant analysis carried out to enable DCC to use the insight to drive the project or programme.

Other LA's have undertaken this approach by using the model for a channel shift business case, they have identified what data is needed to do this, deployed the model and factoring in the costs against the savings that could be achieved using this approach. This is a good way to have the segments developed and allows at a future date the opportunity to build in further training if the situation changes.

**Gathering the base data**

- Involves gathering and standardising the relevant data to be used in the clustering process and identifying the key variables to use in the LA model

**Phase 1 – Develop the Clusters (segments first draft)**

- Involves initial data exercise of developing the clusters and presenting them back to the LA for first comment. This process allows the opportunity for local knowledge to be built into the design of the segments

**Phase 2 – Redefine clusters**

- Involves any further refinement or adjustment to the segments created, can also involve site visits/patch walks etc..to ensure they are robust.

**Final Segments presented and linked to other data sources**

- Would involved pre agreeing a variety of data sources as part of a project or other programmes of work and linking all of them to the developed segment model

**Outputs from this element of work:**

- Have a fully developed robust segmented view of the region.
- Have key data sets linked to Segments via a Report/resource
- Have a system of linking key data sources to the developed segmentation model

**Costs for this work - £24,995****Option 3 – Develop the segmentation model and offer training on linking data sets**

(We build you the model and show you how to link your own data to it)

**Rationale**

This option is a hybrid approach between option 1 and 2 and focuses on LA's who in the medium term want to have the skills transfer and knowledge within the authority. However they recognise that given current pressures LA's face its more viable and realistic to have the model developed for them in the short term with a plan to 'bolt on' further training to identified people over time. This option includes training for how to link data sets to the developed model so the LA would have the ability to use the model and bring in their own data from any identified source that was of interest. This gives much more flexibility in terms of the LA owning the tool and doesn't require external support once the training is complete.

It may be that in time, further training on how the model is developed or shaped could be offered at the appropriate time (Parts of option 1). This could include training on how to factor in predictive modelling on the base segmentation tool once established.

**Gathering the base data**

- Involves gathering and standardising the relevant data to be used in the clustering process and identifying the key variables to use in the LA model

**Phase 1 – Develop the Clusters (segments first draft)**

- Involves initial data exercise of developing the clusters and presenting them back to the LA for first comment. This process allows the opportunity for local knowledge to be built into the design of the segments

**Phase 2 – Redefine clusters**

- Involves any further refinement or adjustment to the segments created, can also involve site visits/patch walks etc..to ensure they are robust.

**Training session, using SPSS – a basic introduction (1/2 day)**

- Involves onsite 'shadow' training for SPSS statistical package for up to 4 people within Derbyshire County, to build basic capacity and knowledge using the required software.

**Training session & support – Linking data**

- Involves showing teams of people (to be agreed) on how to use the look up table which links the segments to any other data source that may be held in the region.

**Outputs from this element of work:**

- Have a fully developed robust segmented view of the region.
- Delivered training sessions to build the skills of people in data matching and using the model
- Have a system of linking key data sources to the developed segmentation model

**Costs for this work - £17,995**

**Key Timings**

Option	Time to complete	Details
Option 1 – Training and skills transfer	6 weeks	Model would be developed and all training required for skills transfer included
Option 2 – Development of Model, including matching key data sets.	4-6 weeks	The model would be complete and a report/analysis pack would show the segments linked to other pre determined data sets
Option 3 – Development of the model and training for data linking	6 weeks	Would include the development of the model and training on how to link the LA's own data to it.