



Report of the Assistant Chief Executive (Planning, Policy and Improvement)

Report to Executive Board

Date: 12 February 2010

Subject: City Card

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not eligible for Call In

(Details contained in the report)

Executive Summary

This report proposes the introduction of a City Card initiative: a compelling offer of a single card for use by all who live, work or visit the city which utilises Smartcard technology to deliver real benefits through:

- easier and greater personalised access to services;
- the ability to build-up loyalty, discounts and enhanced entitlements to services, and;
- the provision of good quality customer data and insight which can be used for focussed service delivery and targeted marketing activity.

The work on City Card has focussed on delivering a Council-wide solution that would ultimately be utilised by many services to deliver positive outcomes.

This report proposes the development of phase one focussed on delivery across the sports, leisure and culture portfolio, particularly aimed at addressing participation and falling income levels.

In addition to delivering within the cultural portfolio, Phase one will also deliver a scaleable, Smartcard infrastructure which can be enhanced in further phases to ultimately meet the broader, cross-council ambitions for the overall City Card vision.

Taking a phased approach to delivery which sees the initial focus on seeking to arrest some of the consequences of the economic downturn on the sport and leisure portfolio is considered an appropriate, prudent and risk-aware approach to take.

A lot of work has gone into the development of the City Card initiative and it is clear from this work that there is significant potential to change the way in which the Council, and its partners, relate and interact with their customers/citizens through the use of Smartcard technology.

1.0 Purpose of this report

- 1.1 The report outlines and introduces the City Card scheme which aims to provide a compelling offer with easy and personalised access to the best the city has to offer for all those who live, work or visit the city.
- 1.2 The aim of this report is to outline to Executive Board a proposal for the implementation of the City Card as part of the Council's Business Transformation programme, as a phased development, focussing in phase one on City Development services, particularly across sport, leisure and culture.
- 1.3 Phase one has been focussed around the consolidation, expansion and refresh of the existing sport, leisure and culture schemes whilst simultaneously delivering an infrastructure and platform for the City which is scalable for future development in line with the overall vision for City Card.

2.0 Background information

- 2.1 Leeds City Council has run and administered various membership card schemes that provide benefits for their members for many years e.g. Library Card, Leeds Card, Bodyline, and Breeze Card. These schemes have proved very popular with their members and also advantageous to the Council as an effective way of attracting and retaining a basic level of repeat usage and income for the council's culture and recreation facilities.
- 2.2 Further to this, the possibilities afforded by new and more affordable technology has prompted the whole issue of how we run and manage the various schemes in existence, and how the authority could expand these schemes beyond the leisure and culture portfolio. The existing schemes consist of:
 - 60,000 Leeds Card holders
 - 90,000 Breeze Card holders
 - 360,000 Library Cards
 - 12,5000 Body line cards
- 2.3 Significant research has been undertaken to understand the potential for a City Card scheme within Leeds; how it can best support the organisation's strategic objectives; drive the transformation of service delivery, and benefit our residents, customers, staff, members and the organisation as a whole. The result was the shaping of what is known as the 'City Card' programme.
- 2.4 The City Card programme originates within City Development with the need to replace the existing leisure and culture card schemes and infrastructure. A number of options were considered and the preferred option was to explore the potential for the introduction of Smartcard technology with a supportive infrastructure.
- 2.5 The vision for City Card articulates a future where a single card could potentially be used to deliver the following benefits:
 - a new way for citizens and employees to interact with the council.
 - increased participation in sport, leisure and cultural events.
 - increased take-up of entitlements by vulnerable people.
 - increased participation and take-up of positive activities by young people.
 - increased take-up of services and activities for older people.
 - promote and reward healthy lifestyles and 'green' choices.
 - a catalyst for understanding customer needs and delivering more integrated services.

- potential for city and regional partnership opportunities.

2.6 With the programme delivering the above benefits through;

- a single Smartcard available to all who live, work, study or 'play' in Leeds.
- simple access to multiple services through the one card.
- secure proof of identification and entitlement.
- offers to partake and benefit from enhanced entitlements, discounts and loyalty schemes through the use of the card.
- cashless payments for transactions with the Council through an ePurse facility.
- the utilisation of good quality, customer insight to enable more intelligent customer profiling, targeted marketing and service delivery.

2.7 In light of this work and the articulation of this vision, the City Card programme is viewed as a fundamental enabler to achieving many elements of the council's strategic objectives included in the Leeds Strategic Plan (2008-2011) and the Council Business Plan (2008-2011). It has the ability to transform the delivery of council services and the way in which citizens and other stakeholders can access services and in this regard is a key component of the Council's Business Transformation agenda agreed by Executive Board in December 2008.

3.0 Rationale for a Phased Development

3.1 The strategic case and longer term benefits to be gained through delivery of the City Card programme are compelling. However, the current economic climate dictates that the Council needs to demonstrate prudence and risk-awareness with regards to any ambitions it has for City Card and balance these off against the benefits and opportunities that can be gained through implementation of the scheme.

3.2 In this regard, it is proposed that a phased approach to the implementation of City Card is agreed whereby phase one builds on the success of the current schemes that the Council is already running. This is considered the best way forward as it offers the most appropriate balance between risk and opportunity given that the existing schemes are due for renewal and that if we do not invest in City Card then we will have missed an opportunity to provide a scheme that the City can be proud of and delivers something tangible and of value to citizens.

3.3 Given this, it is proposed that phase one of the programme focuses on delivering the City Card across the City Development's sports, leisure and culture portfolio through the implementation of a scaleable infrastructure which can be built upon in future phases, as and when viable business cases come forward. New developments in the Smartcard industry, in particular the maturity and capacity of Smartcards, have opened opportunities to keep the initial infrastructure costs down whilst providing a future proof architecture to build future services on.

3.4 The rationale behind this approach is predominantly based on the card scheme seeking to support the council in arresting the decline in income in the sports, leisure and culture sector. City Development are projecting a £600k reduction in income in 2010/11 and it is felt that through the provision of quality insight and intelligence and effective targeted marketing the City Card will ultimately enable this loss to be reduced. In addition to sustaining this income level, it is predicted that the card will start to generate an actual increase in income (estimated at 1% of current gross income) in the third year of the scheme's life.

3.5 However, it does need to be acknowledged that such projections of income in the current economic climate, make such forecasting extremely difficult.

- 3.6 The one percent increase in income is considered realistic and achievable for the following reasons:
- a. Leeds card reached its maximum customer penetration some years ago and we are struggling to attract many new customers with the current offer which is now tired and dated.
 - b. There is a need, therefore, for a new and reinvigorated customer 'offer' highlighting the benefits of being a citizen of Leeds; this will essentially contain the same base elements of the old offer but will be repackaged together with some new elements so as to highlight its value to customers more clearly.
 - c. Differential pricing for non-residents for certain services and events.
 - d. The new offer will not be discount-based and thus one that erodes income, but will be based on the 'loyalty concept' and will reward customers for continued use with reward points that can be accrued at all of our cultural and leisure facilities and redeemed only at our facilities.
 - e. Greater return on investment on our marketing spend as new marketing capabilities will allow us to reach far more customers than we are currently are able to using cheaper electronic channels e.g. website, emails and text messages.
 - f. Targeted marketing based on a customer's preferences and usage patterns that will allow us to market and promote to exactly the target audience we want to attract.
 - g. Build long term relationships with customers to create brand loyalty and increase retention.
 - h. Introduction of special offers to incentivise customers which we can tailor, based around our own ability to supply and provide, so if for example we have leisure centres where we struggle to attract customers at certain times of the day - we can actively promote these times to a target group customers very effectively and at low cost through promotions and campaigns.

4.0 Approach

- 4.1 The approach to be taken is one which focuses on City Development's sport, leisure and culture portfolio whilst providing an infrastructure that is be scaleable and future proof to enable other services to be implemented in future phases as and when funding becomes available and business cases are approved.
- 4.2 The key components that need considering when future proofing are:
- **The Card Management System** – to enable more complex membership/entitlements and services to be added
 - **The SmartCard** – size, security and performance of the chipset
 - **Storage** – the design and architecture of the datastore to enable further capacity to be added as the card scheme grows
- 4.3 The approach to procuring a Card Management System (CMS) will be to ensure additional services can be centrally managed through the use of off-the-shelf or add-on modular applications to the core system.
- 4.4 One of the key costs in the scheme was the SmartCard itself. The capability and maturity of SmartCards has increased in the last 12-18 months whilst the costs have decreased significantly.

4.5 Initially, the volume of storage capacity will be scaled to the existing card membership schemes and enough growth capacity for projected take up in the first year. The design of the card infrastructure will enable additional capacity to be easily added at anytime to meet future demand.

4.6 The initial design and build of the card infrastructure will allow additional services and growth without the need to replace any component(s). These future developments can, therefore, be procured and implemented as future phases or projects with their own business case and funding as appropriate.

5.0 Scope Of Phase one

5.1 **Services** - focusing on City Development's sport, leisure and cultural portfolio the services included in the first phase would include:

- Libraries
- Sports
- Breeze
- Recreation (inc. parks, estates and golf)
- Arts and Heritage
- Events

5.2 **Deliverables** - the scope of the development and implementation in relation to these services would include:

- Convergence of existing card schemes onto one SmartCard solution
 - Library Card
 - LeedsCard
 - BreezeCard
 - Bodyline Gym Card
- Potential addition of additional membership/entitlement card
 - Potential Sport Membership Card
 - Residents entitlement card – recreation, arts, heritage and event offers
- Single Card Management System (CMS)
- Estate of card readers in leisure and culture service areas including static and mobile solutions
- Integration of CMS with line of business applications (e.g. Sport replacement Leisure Management System, Libraries Talis System)
- Integration with Corporate Business Intelligence applications and toolsets
- Basic self service card and membership administration web application
- Assure the protection and security of personal data and information obtained via the card
- Development of the card offer

5.3 **Timescales** - the outline timescale to implement the scheme is around 12-18 months. A key stage is the procurement of the solution during which considerable work can be completed consolidating existing users in preparation for the migration to the new Card Management System.

6.0 Capital Funding and Cash Flow

6.1 The breakdown in cost for delivering City Card Phase one is as follows:

Authority to Spend required for this approval	TOTAL £000's	TO MARCH 2010 £000's	FORECAST				
			2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014 on £000's
TECHNOLOGY	238.0		200.0	38.0			
SMART CARD REPLACEMENT	694.0		300.0	332.0	31.0	31.0	
RESOURCES(INTERNAL)	270.0		200.0	70.0			
RESOURCES(EXTERNAL)	75.0		75.0				
SCHEME TRANSITION	65.0		65.0				
TOTALS	1342.0		840.0	440.0	31.0	31.0	

6.2 As the table above shows, the capital cost of the proposal is £1.34m and provides for the purchase of the technology, the procurement of the actual Smart Cards and internal and external resources needed to deliver Phase one of the programme.

6.3 Capital funding for City Card Phase one will be sourced from two areas. £650k has been resourced from the existing capital allocation for Business Transformation approved by Executive Board in December 2008. This has been provided on the basis of re-profiling and re-prioritising the Business Transformation programme. The remaining £692k will be resourced from the Council's overall Capital programme.

6.4 The following table illustrates the revenue costs needed to support delivery of Phase one whilst maintaining existing services during the transition:

REVENUE EFFECTS	Total £000's	To March 2010 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014 on £000's
CARD ADMINISTRATION	1900.0		380.0	380.0	380.0	380.0	380.0
EXTERNAL MAINTENANCE	165.0		0.0	0.0	52.0	55.0	58.0
INTERNAL MAINTENANCE	156.0		0.0	15.0	45.0	47.0	49.0
TOTALS	2221.0		380.0	395.0	477.0	482.0	487.0

6.5 A target will be also established to reduce the current Sport income deficit by £300k by the second full year of the scheme; and by the third year, to project a 1% income growth in all Leisure activities equalling £237k. Furthermore, the introduction of City Card would give the council the option of charging for some events or services, particularly for non-Leeds residents. The concept underpinning the City Card is that it would ultimately be issued to Leeds residents free of charge in order to encourage take-up and usage for a wide range of council and partner services. In considering the transition from one scheme to another, the existing income has been assumed for the first two years, but would then cease as the card is provided free-of-charge. The impact of this decision is ultimately a loss of the current income from the Leeds Card which equates to £207k.

6.6 Given the above, the overall effect on the Council's revenue budget, can then be summarised as :

Total overall Funding	TOTAL £000's	TO MARCH 2010 £000's	FORECAST				
			2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014 on £000's
EXISTING LEEDS CARD BUDGET	865.0		173.0	173.0	173.0	173.0	173.0
CARD SALES	414.0		207.0	207.0	0.0	0.0	0.0
EVENTS INCOME	225.0				75.0	75.0	75.0
1% INCOME GROWTH	357.0					120.0	237.0
REDUCED INCOME LOSS	800.00				200.0	300.0	300.0
Total Funding	2661.0		380.0	380.0	448.0	668.0	785.0
Revenue Costs (from above)	2221.0		380.0	395.0	477.0	482.0	487.0
Overall Saving =	-440.0		0.0	15.0	29.0	-186.0	-298.0

6.7 As can be seen above, there is currently unfunded revenue costs in 2011/12 and 2012/13, however, these are minimal and will be contained within existing budgets. From 2012/13 onwards we start to see some of the cashable benefits being realised in terms of limiting income loss and in 2013/14 it is anticipated that we will then start to see actual income growth.

7.0 Implications for Council Policy and Governance

7.1 The City Card programme will form part of the council's Business Transformation change programme as part of its work to improve customer relations and customer focus. The implementation of the City Card project will be incorporated into the existing Business Transformation governance arrangements. The project team will also ensure that Elected Members are appropriately engaged in the project as it progresses.

7.2 A key issue to consider within the City Card scheme is the issue of data protection and security. The general issue of information governance is an important one for the council as reported to Members of Executive Board in November 2008. Work is ongoing to provide a robust solution to all of the Council's information governance requirements and the development of an appropriate data protection and security solution for City Card is included within the scope of phase one to ensure that we get this right from the outset.

7.3 It is important to note that the card will not be compulsory and it should not, therefore, get confused with the identity card debate. Phase one builds upon existing card schemes which have worked very successfully over a number of years. All future developments for City Card will be dependent upon specific business cases being developed and approved.

8.0 Conclusions

8.1 The City Card scheme is an essential component in the Council's strategy to reverse the loss of, and ultimately increase, income from sports and leisure activities. It is also an integral part of our business transformation aspirations and the approach outlined in this paper provides the basis to deliver the full vision for City Card, commencing with phase one.

8.2 The City Card will be of real value to citizens and will enable citizens to connect and interact with Leeds City Council and its partners in lots of different ways and in so doing generate a greater sense of belonging and affinity with the City and the Council.

9.0 Recommendations

9.1 Members are requested to approve an injection of £692k into the Capital Programme, and to give authority to incur expenditure of £1,342k to implement phase one of the City Card project.

Background Papers

There are no background papers associated with this report.