

The Triple Bottom Line for London

An index of London's sustainability



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Foreword by Jo Valentine, chief executive, London First



Sustainability – defined by the UK government as ‘the simple idea of ensuring a better quality of life for everyone, now and for future generations’ – is a global issue. Moreover, sustainable development in the urban context is becoming increasingly important as the proportion of worldwide populations living in urban settings increases.

London First has a vision for London as an exemplary sustainable world city which leads the way in developing a sustainable future. We believe it is the actions of business, alongside those of government and the consumer, that will dictate the sustainability of London as a whole.

This is the fourth annual publication of the Triple Bottom Line for London, which tracks London’s progress in relation to its economic, environmental and social sustainability. London’s future competitiveness and status depend upon its sustainability and the purpose of this report is to help answer the question: Is London becoming a more sustainable city?

The aim of the Triple Bottom Line is to highlight areas of success, failure and future priority areas for London, as well as to stimulate debate. The various indicators – which compare latest data for the city with a baseline position of 1995 – can be used to monitor areas of strength and weakness in the capital’s performance and to prioritise effort and investment. I would like to thank PricewaterhouseCoopers for sponsoring this report.

London First is also currently engaged in a World Cities project, comparing the performance of London’s sustainability to that of New York and Tokyo.

The latest results show an overall improvement since 1995, but with areas of significant concern.

Executive summary

Successes

1. Health in London continues to improve steadily
2. GDP has grown robustly since 1995
3. Biodiversity has improved

Failures

1. Housing has become progressively less affordable since 2000/1
2. Total tonnage of waste in London has increased
3. Crime levels have increased significantly since 2000/1

London First wishes to thank Brook Lyndhurst for undertaking the research.



How can we measure it?

There is a wide range of approaches used to measure sustainability and after an extensive review we have selected the various indicators overleaf. These indicators are subject to continuous scrutiny to ensure that they are meaningful, representative and given limitations around some of the underlying data, accurate, relevant and timely. The indicators selected give a simple, broad brush overview of London's current sustainability – and, most importantly, highlight unsustainable trends.

Key trends

Overall, London is a more sustainable city than in 1995. GDP, early death from heart disease, levels of unemployment, bird populations (an important indicator of biodiversity) and air quality all show strong improvement over 1995 levels. However, there are a number of areas which display a declining performance, a downward trend or very slow progress since 1995, which give cause for concern.

Net new firm foundation in London has now declined to below 1995 levels. This followed an excellent performance in the 2000/01 index. Although new registrations have remained broadly similar across all editions of the index, and indeed, higher than in 1995, the number of deregistrations has increased substantially in the latest data set.

Equal opportunities, in relation to both ethnicity and gender, have shown only a slight improvement since 1995. Although this progress is to be welcomed, it must be remembered that because of the overall importance of equal opportunities, this still does not represent an acceptable position. Given the gender and ethnicity disparities which currently exist, the rate of progress needs to be accelerated.

Housing affordability has deteriorated dramatically since 1995. The continued rise in house prices means that home ownership is out of reach for many first time buyers. Indeed, the average house price to income ratio is now approaching 8:1. It is necessary to increase the volume of affordable housing for sale and explore more innovative investment models for expanding access to the property ladder. This is required in order to prevent a negative impact upon London's ability to attract and retain workers, particularly key workers such as nurses, teachers and employees of the emergency services.

Crime continues to show a worsening position.

This position can be explained in part by changes in the methods for the collection of crime statistics. However, it is clear that recorded incidents of crime, particularly violence against the person, are on the increase. When viewed in the context of crime's central role in attracting and retaining both businesses and individuals, it is clear that high crime levels present us with a clear threat to the sustainability of London.

The volume of domestic waste produced in the capital has continued to rise since 1995 although this rate of growth is declining. London is now producing more waste than ever before whilst recycling only approximately 9%; a position which is clearly not sustainable. Increased levels of recycling coupled with a waste minimisation programme have the potential to deliver large scale reductions in the volume of waste produced. This is achievable, as can be seen in other countries, but continued support for London's recycling infrastructure and waste minimisation programmes is essential.

Levels of energy consumption have continued to rise since 1995. This is of particular concern not just to London but on a global scale, given the backdrop of climate change. The Greater London Authority (GLA) has a target to reduce CO₂ emissions by 20% of 1990 levels by 2010 and a target to develop 40,000 renewable energy generation schemes by 2010. The progressive policies on renewable energy of boroughs such as Merton and the newly formed Climate Change Agency should contribute to this target but it is clear that ongoing government support is critical in achieving these goals.



Calculating the index

Latest data for each indicator is drawn from the sources quoted in this report. In each case, the data is converted to an index by relating the latest results to the 1995 figure. A “more sustainable” result produces an index figure greater than 100, while a “less sustainable” result produces an index figure of less than 100.

An average for each set of indicators – economic, social and environmental – is then calculated to produce the overall results. The average is “unweighted” – that is, all indicators are treated as being of equal importance. This is, clearly, a significant assumption to make. Differing priorities could be used to produce different weightings, giving a different outcome. However, as others have found, reaching agreement on a suitable weighting criteria is extremely difficult, and the results as presented have a useful simplicity.

One indicator, Sectoral Performance, which has been used in the previous versions of the index, has been replaced by Productivity for the latest index. We judge, given the available data, that this new indicator better reflects the contribution of London’s sectors.

The remaining indicators are unchanged from the 2002/03 index but the data behind them is subject to continuous revision by their various sources. By incorporating these amendments, the latest findings are not consistent with previous versions of the index; each index is consistent with itself but not with other indices.



ECONOMIC INDICATORS

GDP

Measures the overall value of London’s economy. Calculated using data from the Greater London Authority (GLA).

New TBL

2000/01 index = 122	2001/02 index = 125
2002/03 index = 126	2003/04 index = 128

Investment

Measures private sector investment in London. Calculated using figures supplied by the Centre for Economic and Business Research.

New TBL

2000/01 index = 116	2001/02 index = 106
2002/03 index = 97	2003/04 index = 102

Productivity*

Measures the productivity of London business relative to the rest of the UK. Calculated using data from the Office of National Statistics (ONS).

New TBL

2000/01 index = 99	2001/02 index = 98
2002/03 index = 97	2003/04 index = 99

London plc

Measures London plc using the Dow Jones Sustainability Index criteria. Devised by London First using the Dow Jones questionnaire.

New TBL

2000/01 index = 108	2001/02 index = 120
2002/03 index = 117	2003/04 index = 112

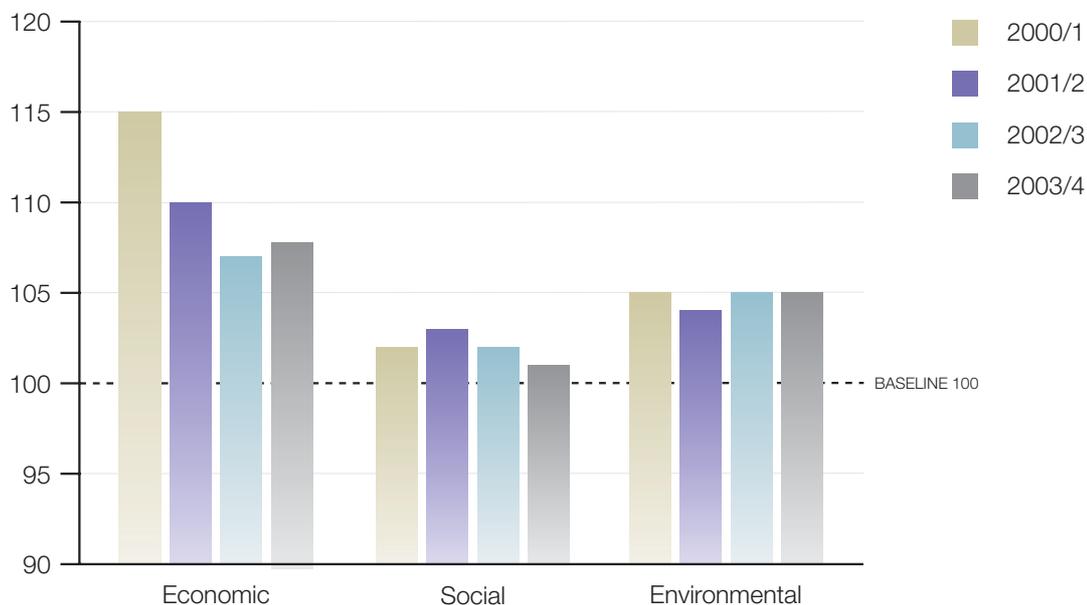
New Firm Foundation

Measures entrepreneurial activity in the capital. Calculated using data from the ONS.

New TBL

2000/01 index = 129	2001/02 index = 101
2002/03 index = 96	2003/04 index = 97

* New indicator





SOCIAL INDICATORS

Premature Deaths from Heart Disease

Provides an important indicator of the health of Londoners. Calculated using data from the British Heart Foundation.

New TBL

2000/01 index = 132	2001/02 index = 136
2002/03 index = 141	2003/04 index = 143

Crime

Offers a vital measure of quality of life. Calculated using data from the Home Office.

New TBL

2000/01 index = 92	2001/02 index = 84
2002/03 index = 77	2003/04 index = 74

Child Poverty

Provides a measure of quality of life. Calculated using data from the Department of Work and Pensions.

New TBL

2000/01 index = 100	2001/02 index = 103
2002/03 index = 106	2003/04 index = 112

Housing Affordability

Measures the affordability of housing in London. Calculated using data from the ONS and the Land Registry.

New TBL

2000/01 index = 49	2001/02 index = 41
2002/03 index = 27	2003/04 index = 18

Equality and Ethnicity

Provides an important perspective on divergences in equality. Calculated using relative unemployment rates data from the ONS.

New TBL

2000/01 index = 100	2001/02 index = 98
2002/03 index = 101	2003/04 index = 107

Equality and Gender

Comparing male and female wage rates gives an important perspective on equality. Calculated using data from the ONS.

New TBL

2000/01 index = 98	2001/02 index = 103
2002/03 index = 102	2003/04 index = 103

Unemployment

Provides a key indicator of social inclusion. Calculated using data from the ONS.

New TBL

2000/01 index = 136	2001/02 index = 147
2002/03 index = 142	2003/04 index = 140

Education

Attainment against the National Learning Targets based on the proportion of 19 year-olds qualified to level 2 (GCSE grades A-C). Calculated using data from the Department for Education and Skills.

New TBL

2000/01 index = 112	2001/02 index = 115
2002/03 index = 117	2003/04 index = 112

ENVIRONMENTAL INDICATORS

Bird Population

Provides a useful proxy for biodiversity. Calculated using data provided by the Royal Society for the Protection of Birds.

New TBL

2000/01 index = 121	2001/02 index = 114
2002/03 index = 118	2003/04 index = 132

Total Waste

Measuring the total tonnage of waste in London. Based on figures from the Department for Environment, Food and Rural Affairs (Defra).

New TBL

2000/01 index = 86	2001/02 index = 83
2002/03 index = 83	2003/04 index = 82

Recycling

Measures the proportion of domestic waste being recycled. Based on figures from Defra.

New TBL

2000/01 index = 104	2001/02 index = 104
2002/03 index = 104	2003/04 index = 106

Transport

A measure of the use of public transport into and within London. Calculated using data from Transport for London.

New TBL

2000/01 index = 102	2001/02 index = 103
2002/03 index = 104	2003/04 index = 106

Air Quality

An important environmental factor affecting health. Calculated as annual mean of NO₂ and PM₁₀ using data from the London Air Quality Network.

New TBL

2000/01 index = 124	2001/02 index = 121
2002/03 index = 125	2003/04 index = 119

Green Space

An important contributor to both biodiversity and human quality of life. Based on data from the ONS.

New TBL

2000/01 index = 100	2001/02 index = 100
2002/03 index = 100	2003/04 index = 100

Water Efficiency

Measures the efficiency with which water resources are managed. Calculated using data provided by Thames Water.

New TBL

2000/01 index = 106	2001/02 index = 107
2002/03 index = 108	2003/04 index = 109

River Quality

Measures the health of all rivers running into and through London. Based on data from the Environment Agency.

New TBL

2000/01 index = 107	2001/02 index = 110
2002/03 index = 112	2003/04 index = 107

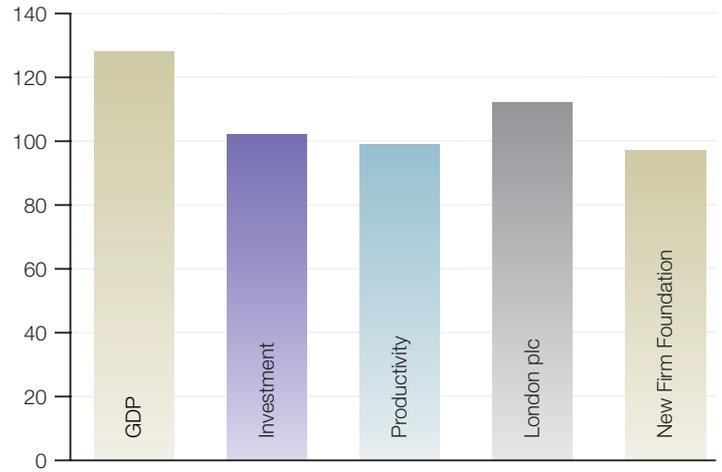
Energy Consumption

Indicates intensity of resource use. Estimated using data from the GLA.

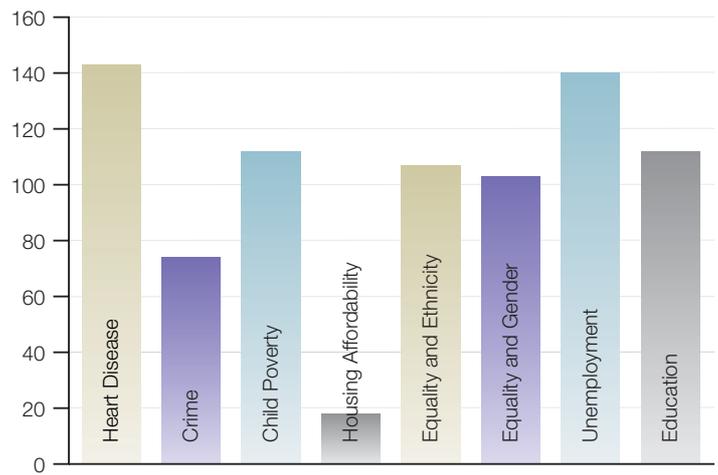
New TBL

2000/01 index = 93	2001/02 index = 92
2002/03 index = 91	2003/04 index = 91

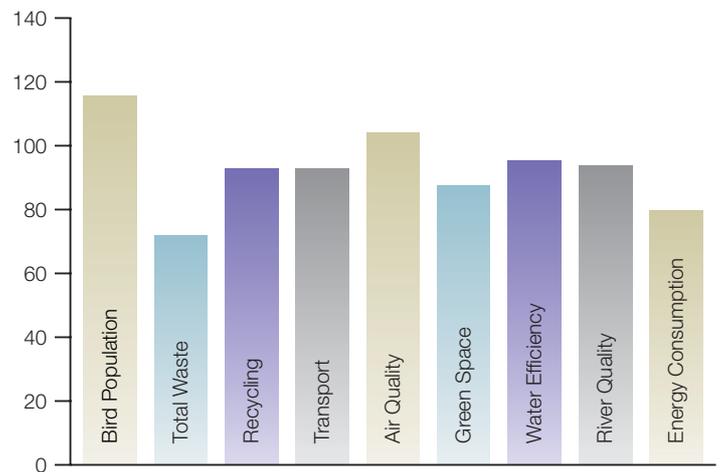
ECONOMIC INDICATORS 2003/4



SOCIAL INDICATORS 2003/4



ENVIRONMENTAL INDICATORS 2003/4





Economic

GDP has grown robustly since 1995 although the rate of growth has been slowing down recently. Investment levels have slipped back to marginally above those of 1995 following strong increases in 2000/01 and 2001/02.

London's productivity performance is a little below that of 1995 and has remained relatively constant over recent years. Our measure of London plc, using the Dow Jones Sustainability Group index

questionnaire, suggests that the city's economy is more sustainable than in 1995. The rate of net new firm formation has slipped back following the end of the dot.com boom and 9/11, and is now worse than in 1995.

Overall, the economic indicators show an index of 108 (where 1995 = 100), compared to 115 in 2000/01, 110 in 2001/02 and 107 in 2002/03.

Social

Levels of unemployment and premature deaths from heart disease show that the position in London is markedly better than in 1995, whilst educational attainment shows a modest improvement. London's performance on the crime index has steadily deteriorated since 1995.

Housing affordability has deteriorated dramatically since 1995. Rising house prices have put home ownership out of reach for many first time buyers. Whilst getting on the property ladder is becoming increasingly difficult, an extended period of stable and low

interest rates has meant that rising property prices have few negative impacts for existing property owners.

Measurements of child poverty, ethnic inequalities and gender inequalities show small improvements since 1995. However, it should be remembered that our focus on change masks the continuing unacceptable *levels* in each of these cases.

Overall, the social indicators show an index of 101 (where 1995 = 100), compared to 102 in 2000/01, 103 in 2001/02 and 102 in 2002/03.

Environmental

Both bird populations and air quality have improved substantially since 1995. The bird population has fluctuated over all previous indices, mainly due to the sensitivity of birds to changes in weather, but has always remained higher than in 1995.

Total waste performance has deteriorated substantially since 1995. This rise in domestic waste production has been matched by only a modest increase in recycling levels. This is a concern given waste levels were already high in 1995 with recycling levels very low.

Green space has remained unchanged since 1995 whilst transport, water efficiency and river quality have increased slightly since 1995. Our index of energy consumption has deteriorated since 1995, which is particularly concerning given current issues surrounding global warming and CO₂ emissions.

Overall, the environmental indicators show an index of 105 (where 1995 = 100), a steady upward trend since our 2000/01 index.



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