

**Capacity Building and Local Government:
Organisational Responses to the Need
for Greater Human Capacity**

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Abstract

Capacity building in local government has been recognized for several decades as a major issue. Capacity building is now no longer only a background issue in human resource management? it is a central issue in organizational development and strategic performance improvement. This article discusses a range of UK approaches to capacity building at local level, most of which are heavily influenced by central government policy and funding, in line with the general UK public sector. Evaluations demonstrate that none of them has so far offered a 'failsafe' solution to the issue of how to trigger widespread capacity building in local government. The theoretical and conceptual discussion in the article suggests a very wide range of ways into building personal, organizational and partnership capacity. Consequently, capacity building approaches have to be tailored to local circumstances. The fundamental conceptual issues to be addressed before embarking upon a capacity building programme include its focus (individuals or organizations or their networks); theoretical rationale ('market-led' or 'resource-led'); its mode of operation ('innovation-led' or 'dissemination-led'); organizational focus (improving internal capacity or external capacity); and relationship to wider government programmes (mobilizing resources within service systems as a whole or improving the system-wide conditions which increase capacity).

Introduction

Capacity building has been a major theme in government programmes around the world for several decades. During that time, however, its focus has changed — whereas originally it was largely focused on improving the capacity of government, it now also covers the need to build capacity in those external organizations which deliver public services for government through contracting or partnership arrangements.

The key questions asked in this article are:

- What is 'capacity building'?
- What are the theoretical foundations of 'capacity building'?
- Do capacity building programmes attempt to build capacity in the system and networks of local government, as well as individual local authorities?
- Do capacity building programmes recognise the full range of resources and capabilities in local government and its partner agencies which need to be developed?

We explore the empirical lessons in relation to these questions, as evidenced by the evolution of capacity building in the UK public sector, particularly in local government. We report findings from an evaluation of initiatives to build local government's own capacity and then explore a major programme after 2003 to build the capacity of third sector providers of public services to local government.

What is 'capacity building'

The concept of capacity building has been variously used to describe any initiative aimed at creating, developing or sustaining the ability of people and organisations to improve outcomes for individuals, communities or citizens. The term became widely used in the early 1990s as a key aim of international development when governments and aid organisations sought to fund long term programmes that enabled communities to achieve sustainable self-generating development, weaning them away from short term relief which maintained or even encouraged dependency. For example, UNDP (1991) defined capacity building as *'the creation of an enabling environment with appropriate policy and legal frameworks, institutional development, including community participation (of women in particular), human resources development and strengthening of managerial systems'*. In this context, capacity building was concerned with enabling people to help themselves as self-determined communities and citizens.

In UK policy, the term 'capacity building' has been used in a variety of different ways to describe many initiatives by central and local governments. In CLG (2006), based on research by the Office for Public Management into the capacity building needs of local government, capacity was defined as *'the right organisation, systems, partnerships, people and processes to deliver against a particular agenda or plan'*. On the basis of this, it suggested that an assessment of capacity could examine six key areas: finance; systems and processes; volume of people; skills; knowledge and behaviour.

These definitions from UNDP and OPM both specify capacity as being concerned with inputs and processes, with particular, but not exclusive, attention to human resource development. This can easily be extended to covering the improvement of efficiency through increasing productivity and innovation, avoiding waste and duplication and managing performance. A specific element of such an approach is often the emphasis on partnership working as a process essential to ensure efficiency and to enable flexible and innovative responses to complex and multi-faceted problems. However, these definitions also highlight that capacity needs to be built in wider ways. Thus capacity building has also been seen as encompassing citizen and community empowerment,

Each of these approaches to building capacity will be explored in more depth, after a brief exploration of the conceptual foundations of the idea of capacity building.

What are the theoretical foundations of ‘capacity building’?

There are a number of different conceptual frameworks for understanding what capacity building might mean, including:

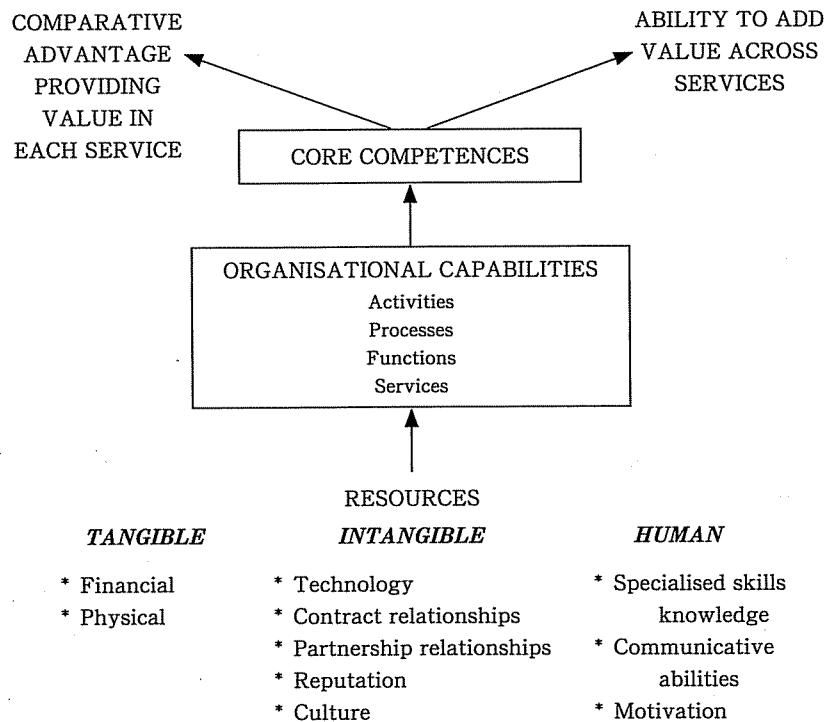
- The market-based view
- The ‘resource-based view’
- The ‘organisational learning’ approach

The *market-based view* emphasises the need for a market management approach which promotes the growth of organisations with superior capacities to meet the needs expressed in the market. This approach is inherently sceptical of public policy initiatives unless there can be shown to be market failure — ‘*supply side failures*’ — within the service system. Where such market failures exist, e.g. in chronic shortage of specific skills in local government, there is a *prima facie* case for public intervention. However, there is also a clear case for considering first whether the market failure can be directly eradicated or reduced, rather than intervening to compensate for its effects. For example, where skills shortages occur, it might be advantageous to ensure greater wage flexibility rather than subsidising the training of new staff in those skills areas. In this way, the market-based approach tends to challenge public policy makers to think of both wider and more direct ways of tackling the problems which they identify in the local capacity to provide services. Here capacity building can mean changing the parameters of the service systems itself.

Furthermore, this approach suggests that public system interventions can themselves produce failures, such as increasing disequilibrium (e.g. controlling or setting wage levels so that skills shortages are exacerbated) or increasing information asymmetries between providers and some groups of service users (e.g. by encouraging benchmarking of practices between service providers). Capacity building therefore includes increasing the ability in the public sector to avoid or reduce the damage done to market interactions by ill-calculated public interventions.

The *resource-based view* (currently the dominant academic approach to strategic management in business schools) analyses how organisations can make best use of their resources to develop capabilities and competences to add value for their users and stakeholders. This approach argues that the keys to strategic success in an organisation or network are:

- development and enhancement of resources, capabilities and competences which produce ‘value’ (for users, citizens and other stakeholders such as local businesses, community organisations, etc.) — see Figure 1;
- concentration by all parts of the organisation (and network) on their ‘core competences’ (those organisational capabilities which allow them to produce higher benefit for their users and stakeholders than can be provided by any rivals);
- use of techniques such as the ‘value chain’ to analyse how greater value can be



Source: Adapted from Grant (1998)

Figure 1 Inter-relationship between resources, capabilities and competences

created through the better utilisation of organisational resources and capabilities;

- particular attention to those 'dynamic capabilities', which help the organisation or network to innovate and improve its services and activities.

The *organisational learning* approach shifts the focus away from the 'content' of organisational resource inventories and capabilities to the processes by which these get improved and updated within the organisation and its networks. Organisational learning is typically seen as the creation of new knowledge (or making more explicit the tacit knowledge within the organization), the dissemination of this knowledge throughout the whole organization, and embodying it into new technologies, products and services (Nonaka, 1991). In the public domain, we would normally want to extend this definition to cover the organisation's networks as well as the organisation itself. A closely analogous concept is the 'learning organisation', defined by Tsang (1997) as an institution that identifies, promotes and evaluates the quality of its learning processes. This approach sometimes emphasises the learning by individuals in organisations and sometimes the ways in which organisations capture and embed the knowledge based in their individual staff. In both cases, it leads to a rather different view of what capacities need to be developed in an organisation — see Table 1.

Table 1 Contrasts between capacity building in the market-based, resource-based and knowledge-based organisations

<i>Tasks and key characteristics</i>	<i>Market-based capacity building</i>	<i>Resource-based organizational capacity building</i>	<i>Knowledge-based capacity building</i>
Setting direction	Achieved by identifying key market trends and market failures to which the organization needs to be able to respond.	Achieved by creating a vision at the top of how to make best use of the organisation's resources.	Achieved through creating shared visions, which can emerge from many places. The role of the top is to ensure that a vision exists, not necessarily to create it. The vision can relate to either what the market wants or what the organization can best provide.
Thinking and executing	All staff have the role of sensing how the market is evolving and finding appropriate responses — these sensing abilities need to be honed and a full range of sense making abilities need to be in place.	The top thinks, the local managers act. Training is therefore cognitively based for the top, experientially based for local managers. Focus is on people knowing their jobs, not necessarily how they interrelate with other jobs.	Thinking and acting are merged at all levels. Both cognitive and experiential based training are needed. Focus is on systemic thinking — people understand how their jobs relate to the whole organisation's functioning. Strategy maps need to incorporate and integrate relationships, not just functions.
Type of learning	Mainly externally focused 'coping' or 'adaptive' learning.	Mainly internally focused 'coping' or 'adaptive' learning.	Includes 'generative' learning which enhances the ability to create.
Role of leadership	Leaders create strong and positive relationships with external partners and customers and create incentives for closer collaboration.	Leaders motivate people toward attainment of the vision through rewards and recognition, make the key decisions, and create the structures to control local actions.	Leaders build a shared vision, empower people, inspire commitment and enable good decisions to be made throughout the organisation by designing learning processes.
Required leadership competences	All leaders need to understand the needs of customers and partner organizations and to promote responses from inside their own organizations to ensure these needs are met. All leaders have to see themselves as responsible for whole supply chain and customer network, not just own organization.	Top managers have individual (i.e. non-systemic) worldviews which they impose through (sometimes) charismatic decision-making.	All leaders need to tap the tacit knowledge of their staff — this entails surfacing, testing and improving the 'mental models' that people have of how the world works. It also involves managing the differences between these mental models. Therefore, all leaders have to be able to act as designers of the organisation, teachers, coaches, facilitators and stewards.

Source: Adapted from Hodgkinson and Sparrow (2002), based on Senge (1990) and Arvedson (1993).

While the concepts of 'organisational learning' and 'the learning organisation' have been much discussed in the academic literature and incorporated in change projects led by management consultants, there is still little empirical evidence to throw light on how they can be promoted. Indeed, the major academic review of evidence in this area has concluded that 'the more our understanding of the learning organisation develops, the more distant the dream it [...] may seem' (Hodgkinson and Sparrow, 2002: 69). Weick and Westley (1996) argue that 'organisational learning' is an oxymoron — 'learning' inherently requires disorganising and increasing variety, while 'organising' inherently requires forgetting and reducing variety.

These conceptual foundations of 'capacity building' raise the fundamental questions:

- Should capacity building programmes focus more on promoting the capacities of individuals or organizations or their networks?
- Should capacity building programmes focus more on helping the organization (and its networks) to understand and respond to the needs of the market or to leverage the greatest value out of the resources available to it?
- Should capacity building programmes prioritise promotion of diversity in organisations and their networks in order to generate new knowledge, or standardisation within organisations, in order to promote diffusion of existing knowledge?

Policies for capacity building

What does 'capacity building' actually entail in terms of practical policies? The term is bound up with ideas of resource mobilisation and enhancement. In particular, it usually refers to one or more of:

- Developing the *overall institutions and infrastructure of governance* inside which all decision-making could better function ('macro-capacity building') — this typically includes such institutions as a stable financial system, transparent government, joined-up central government, local self-government, trust between citizens and public agencies, etc. (This is at a higher level of generality than the policies considered in detail in this article).
- Developing the *capacity for organisations to work better with each other* within this overall institutional framework — e.g. forums for discussion of issues, information sharing systems, systems for resolution of disputes, procedures for sharing and training of staff, etc.
- Mobilising *greater resources within the service systems* to which individual organisations belong — e.g. by encouraging user and community co-production, user and community fundraising, user and community volunteering, etc.
- Developing the *capacity for organisations to carry out their own tasks better* by means of enhanced internal resource development and utilization — e.g. greater focus on key priorities, problem redefinition, process improvement,

use of modern technologies (by both staff and service users), employment of better (or more relevantly) qualified staff, etc.

Clearly, public policies to make the whole system of service provision more efficient and effective can take several forms, depending on where in Figure 1 they are designed to operate:

- *Strategy based on resource advantage* — this focuses on upgrading the tangible, intangible and human resources in local government or the local governance system. For example, the Capacity Building programme launched in 2003 by the Office of the Deputy Prime Minister and the Local Government Association in the UK aimed to improve, on the one hand, the leadership skills of councillors and officers and generic skills in procurement, financial and project management and, on the other hand, corporate capacity to support performance and knowledge transfer and workforce capacity including recruitment, retention and people management.
- *Strategy based on efficiency through better resource utilization* — where capacity building is associated with improving efficiency through increasing productivity and innovation, avoiding waste and duplication and managing performance. This has found expression in a long line of UK government policy initiatives, from the creation of the Efficiency Unit in the 1980s through the emphasis on competition and the market in the 1990s to Best Value and the Gershon efficiency review under the Blair administration.
- *Strategy based on relationship advantage* — this emphasises the need for organisations and their networks to develop high quality relationship management capabilities, including contract management.
- *Strategy based on organisational capabilities* — this approach looks at how better organisational capabilities can be developed from the resource base. It recognizes that, while developing staff skills and competences is essential for the improved operation of services, it is also critical to develop distinctive organisation-wide competences which are embedded in the organisation's systems and processes. It shows how the different processes which the organisation uses to create value for its stakeholders can be linked. In the public sector the 'value' created typically has several dimensions, incorporating user value, value to wider groups (such as family or friends), democratic value, social value and environmental value (Bovaird, 2009). For an organization to be excellent, it must ensure that not only is it excellent at each separate activity in the 'unbundled' value chain, but also good at combining them. This analysis clearly provides a different way into analysing local government capacity from an approach which simply distinguishes between corporate performance and service (or departmental) performance. In particular, it focuses on the ways in which different corporate functions inter-relate with different service functions.
- *Strategy based on core competences and dynamic capabilities* — where core competences are those organizational capabilities which bring benefits to

stakeholders in ways which are distinctively superior to those offered by other organizations (Hamel and Prahalad, 1994) and dynamic capabilities are those core competences which enable the organization to update existing core competences over time and find new ones, so that it maintains its comparative advantage through innovation (Teece et al., 1997; Foss, 1997).

- *Strategy based on building partnership capacity* — where interorganisational collaboration is seen as an essential means to ensure efficiency and improve outcomes, where outcomes are defined as the impact of a public service on the quality of life of an individual or a community. Policy initiatives that aim to improve people's quality of life are almost always partnership-based, as outcomes are usually the joint products of several organizations. They therefore require a form of capacity building which is based on helping public service organizations to achieve 'collaborative advantage' (Huxham, 1996).
- *Strategy based on capacity building as community engagement and empowerment* — UK government policy since 1997 has seen capacity building as central to the government goals of enhancing citizen and community empowerment which in its turn is seen as '*essential for achieving excellent public services, strong and cohesive communities and a thriving democracy*' (CLG and LGA, 2007). We discuss one specific example of this approach, ChangeUp, later in this article. Building community capacity was a recurring theme in government policy and funding initiatives under New Labour and this has continued under the new coalition government. It draws on the academic study of social capital (Putnam, 2000), which underpins much of the government's case for community capacity building.
- *Strategy based on building capacity for user and community co-production of outcomes* — where the focus is not simply on building greater community empowerment but using it to maximize the value added to the service by the service user and by support organisations in the community. This co-production takes on special significance in the public sector, where the user's experience of increased value may also have significant knock-on effects, particularly to their family and friends and in showing other users how to make best use of the public service (Bovaird, 2009).

UK approaches to public sector capacity building

There has been a succession of UK approaches to improving the capacity of public services. The main ones which will be highlighted here include:

- Central government capability reviews
- Capacity building within the Local Government Modernisation Agenda
- National Capacity Building Programmes of CLG, the Local Government Association (LGA) and the Improvement and Development Agency for Local Government (IDeA)
- Capacity building for third sector organizations involved in local public

services

Central government capability reviews

UK central government launched the capability review programme in 2005 to assess systematically the organisational capabilities of individual departments of government and to publish results that could be compared across departments. Its objective was to create a step change in central government's capability to meet current and future delivery challenges — in response to weaknesses identified in reviews, each department had to devise and pursue an action plan to ensure that it could meet the challenges to its current and future delivery (NAO, 2009).

The Cabinet Office directed and managed the programme, with the close involvement of the Cabinet Secretary. The capability review model was co-designed by senior civil servants and external experts, focusing on ten elements of capability, grouped around the three areas of leadership, strategy and delivery. The NAO (2009) noted that only four other OECD countries had initiatives comparable to the capability reviews, in terms of scope, coverage and approach. The five-member review teams typically included two members from the private sector and one from local government.

Two-thirds of the capability assessments undertaken within departments (10 elements for each of 17 departments) in the first round rated the department as less than 'well placed' — indeed a quarter of the assessments revealed 'urgent development areas' and in the case of two departments — the Home Office and the Department of Health — raised 'serious concerns' about their capability in one or two elements (NAO, 2009). Common areas of weakness were leadership from departments' boards, understanding and using different delivery models, and issues around delivery of services and skills of staff at all levels. The NAO detected evidence that departments had made improvements since their first capability reviews — second-round reviews were showing improved scores, survey results of staff and stakeholders were improving, and non-executive directors had more favourable views about board effectiveness (NAO, 2009).

Subsequently, a Cabinet Office evaluation concluded that the capability review programme had been a critical factor in the improvement of capability across government departments and proposed some improvements, including that future reviews should focus in greater depth on cross-departmental working; citizen and customer focus; effectiveness of working through delivery partners; and organisational capability beyond the leadership team (CSSB, 2009). However, a later assessment (Cabinet Office, 2009) found that 'building capability and skills' had been the weakest and slowest to improve feature of the Civil Service.

In parallel, the Government's White Paper, *Working Together: Public Services on Your Side* set out priorities for public service reform, to which capability reviews contributed. These included:

- introducing simpler, more transparent department performance assessments;
- better assessing of departments' capabilities; and
- improving the quality of leadership and management.

The coalition government after 2010 continued the programme, now under the title 'Capability Assessments', together with Capability Action Plans, which are published annually.

Capacity building within the Local Government Modernisation Agenda

In the past ten years, capacity building in local government in the UK has been driven from two sources — by central government initiatives and from within local government itself, particularly from the Local Government Association (LGA). We now consider these in turn.

The justification for direct intervention by central government into the performance of local authorities was that the local democratic process is unable to motivate sufficient change in the council's performance and therefore external pressure is in the interests of citizens (ODPM, 2004). With this in mind, the Blair government gave the Secretary of State powers under the *Local Government Act 1999* to intervene, where council performance was below certain standards. This power was activated for the first time in 2001 for one council, and in 2002 for a second council. The 2001 intervention was wide-ranging, with directions being issued in relation to the budget, staffing, property and a number of individual services — and it was expensive, suggesting to government that the resource implications would be unsustainable across a larger number of councils. Consequently, a 'lighter touch' engagement approach was piloted with the second council in mid 2002 and this became the basis of subsequent government policy (ODPM, 2002).

After the first round of the Comprehensive Performance Assessment (CPA) of local authorities in 2002 (undertaken by the Audit Commission), government launched a programme of intervention and recovery support, specifically aimed at the 15 councils which were rated as 'poor' in the CPA.

This was based much more on the 'engagement' than the 'intervention' model (see Table 2) and placed the onus on councils to accept responsibility for leading their own improvement, but within a context of external support and challenge, and

Table 2 Government strategies for involvement with poorly performing councils

INTERVENTION	ENGAGEMENT
Legal instruments	Political pressure, backed up with the possibility of legal sanctions
Significant use of external consultants	Reliance on authority's staff, with strategic use of external consultants
Recovery focused on compliance with directions	Recovery focused on changes to authority's culture, structures and processes, in order to embed capacity for improvement
Arm's length relationship with government	Close involvement by government with the council

Source: Hughes et al., (2004).

with oversight by the nominated ODPM lead official, along with a monitoring board. Legal intervention was seen as the last resort, only to be used if agreement on recovery could not be reached between government and a council (indeed a statutory direction was subsequently applied to only one council). As poorly performing councils differ considerably in the nature of their problems, the form of engagement was tailored to the needs of each council, and the relationship between central government and the council could remain more flexible because it was non-statutory. The approach was further refined in the light of experience in the document *Government Engagement with Poor Performing Councils* (ODPM 2003), which emphasised the role of the central government 'lead official' with each council, who advised ministers on the approach to be taken in respect of that council and kept regular oversight of their progress by chairing the Government Monitoring Board consisting of ODPM, the Audit Commission and other government departments. A regular 'stocktake' of the performance of the council, and the drivers of that performance, was undertaken jointly, and action plans for improvement were jointly designed and monitored with staff and politicians of each council. The intended outcome of the engagement policy was 'recovery', interpreted as a significant and sustainable process of improvement over a relatively short time period (Hughes et al., 2004).

Interestingly, in light of the international debate on debt restructuring since 2008, UK central government was prepared to allow 'capitalisation' of revenue spending in the case of some of these 'poorly performing' councils. In general, local authorities are not permitted to finance revenue expenditure from their capital accounts, a restriction on local authorities which is fairly common worldwide. Exceptions to this general rule are occasionally allowed under *capitalization*, whereby an element of current spending may be exceptionally high in a particular year to allow a change that will yield a stream of savings over future years to smooth out the impact on council taxpayers of a transitory or transitional financial problem (Skelcher et al., 2005). Under the careful supervision from central government departments, this approach was used to allow a number of poorly performing councils greater financial flexibility to assist them to undertake recovery programmes. Over £133 m of revenue expenditure was capitalized in this way between 2000/1 and 2005/06 in six councils which central government allowed to use this approach. While paying a grant to a council to ease their finances might have been an alternative approach, this might have had long-term dynamic adverse effects, since it would appear to be 'rewarding failure'. Capitalisation meant councils were not receiving extra resources from the government, but rather were being allowed to reschedule the payments they needed to make and therefore smoothed out over time the distribution of the financial burden to council taxpayers.

The evaluation of the Intervention and Recovery Support programme concluded that this engagement approach cost approximately 0.11% of the total current expenditure of these 14 councils p.a. (Skelcher et al., 2005). It therefore concluded that the benefits obtained from this spending considerably outweighed the costs, noting that moving to a 'lighter touch' approach to engagement in cases where this was warranted might well preserve most of the benefits of the policy whilst

reducing costs even further.

Separately from the Intervention and Recovery Support programme, ODPM and LGA created a Capacity Building Fund, part of whose function was to make strategic investments in councils in need of improvement. In the year up to February 2005, ODPM made 60 capacity building grants, totalling over £12 million, to forty-six councils with weak or poor CPA ratings. These grants (with a mean value of about £300,000) were most likely to be used in projects with an internal focus, for example manager development (13), organisational development (11) and member development (8). There were relatively few projects with an external focus, for example on procurement, partnership, consumer/user focus, or equality/diversity, probably reflecting the priorities of the councils applying for grants, rather than those of ODPM. Allocations to this group of fifteen councils range from almost £700,000 to less than £100,000.

Interestingly, the INLOGOV evaluation of the initial results of this capacity building programme indicated that:

- CPA 2002 councils in receipt of capacity building funds were twice as likely to improve their CPA score as councils not in receipt of capacity building funds.
- Several councils have made progress from a very low base, and in some cases capacity building funds have had a significant impact on their rate of improvement. Indeed, 5 CPA 2002 councils that were originally poor or weak have moved up more than one grade (one by 3 grades; five by 2 grades).

The INLOGOV evaluation (Skelcher et al., 2005) showed that:

- The policy of engagement did not appear to impose onerous costs on councils, and these costs were likely to reduce as councils moved into lighter touch engagement.
- Capitalisation was a worthwhile financial tool to facilitate recovery, providing room for poorly performing councils to make significant changes in the face of budgetary difficulties without the burden all falling on one-year's council tax, while still ensuring that the council taxpayer does not escape the cost of past mistakes.
- Capacity Building Funds also appeared to contribute to improvement.

National Capacity Building Programme of CLG and LGA

In 2003 a national Capacity Building Programme (CBP) for local government was launched as a joint CLG/LGA initiative, with three main strands (in addition to the Intervention and Recovery Support programme considered above) (see Table 3):

- **Pilot Projects:** for trialling innovative ways of working (but with relatively minor effects — not further considered here).
- **National Programmes:** initially focused on establishing or expanding some programmes, delivered by central bodies — such as IDeA, the national Employers Organisation for Local Government, the 4Ps partnership organisation and CLG framework contractors engaged to work on this programme — mainly for training and other organisational development support to

Table 3 National Capacity Building Programme — examples of initiatives

Existing initiatives developed by central bodies (e.g. IDeA, Employers Organisation and 4Ps)
<ul style="list-style-type: none"> • the Peer Clearing House; • the Advanced Leadership Programme; • the Leadership Academy; • the National Graduate Development Programme; • Gateway Reviews; • Procurement Skills Training; and • Advanced Leadership Programme.
New initiatives commissioned from the Employers Organisation
<ul style="list-style-type: none"> • Accelerated Development Programme; • Workforce Remodelling; • Diversity in Districts; • Public Protection; • Strategic HR Coaching; and • Skills Pathways.
Initiatives commissioned through the Framework Contract
<ul style="list-style-type: none"> • Councillor Mentoring; • Future Leadership Programme; • Performance Improvement and Management; • Project and Programme Management; • Organisational Development; and • Leadership Centre for Local Government.

Source: Adapted from CLG (2009).

councils.

- **Improvement Partnerships:** groups of local authorities and other public agencies established on a wider geographical basis to undertake collective improvement activity (but with relatively minor effects on service delivery — not further considered here).

The national evaluation of the CBP (CLG, 2009) concluded that it achieved its objectives in developing programmes broadly mapped to the types of capacity building needs identified by local authorities. However, many respondents in local authorities suggested that their needs are complex and specific to their organisations, and this limited their take-up of the CBP, some parts of which were seen to be too generic. Consequently, some of these initiatives did not achieve the level of take-up expected. The evaluation found the National Programmes had added value in a number of ways (CLG, 2009: 6) :

- subsidised and often free support for capacity building;
- opportunity for shared learning and transfer of ideas within local government;
- retaining capacity building within the sector and enhancing the capacity of local government to engage in self-help.
- establishing a national infrastructure for key elements of improvement activ-

ity;

- promoting a positive culture in local government toward staff training and development;
- contributing to filling generic and specific skills gaps.

Overall the key findings from the evaluation of the national programmes (CLG, 2009:6) suggested that the programmes had a positive influence and impact on councils at both an individual and organisational level. At individual level, impacts were most pronounced in terms of new skills (particularly in generic management and project management competencies) and increased confidence. In addition, councils reported progress on corporate capacity, with substantial investment over recent years in strengthening corporate processes and systems — however, it appeared that organisational development had been less pronounced than individual development.

Capacity building programmes of the Improvement and Development Agency for Local Government and Local Government Association

The LGA has a longstanding commitment to sector-led capacity building of councils. While the initiatives discussed above were largely developed in conjunction with central government, a large number of separate national programmes have been developed and implemented essentially within the local government sector itself. To promote this, the LGA established IDeA (recently rebranded as Local Government Improvement and Development or LGID), which supports improvement and innovation in councils (and their partnerships) and developing good practice — e.g. through networks, online communities of practice and web resources, and through the support and challenge provided by councillor and officer peers. A particular focus has been on helping to develop councillors in key positions through leadership programmes, often working with regional networks.

The most well-known of these IDeA initiatives was the Beacon Council scheme (1999–2010), which was part of the government-sponsored Beacon schemes organised in several sectors — it also included schools (1998–2005), health (1999–2003) and further education (1999–2010).

The distinctive feature of this family of 'Beacon' models is that award winners have a formal responsibility to disseminate their practices. Moreover, the Beacon Council scheme went further than simple publication of 'inspiring case studies' and adopted the 'open day' model used by the government's *Inside UK Enterprise scheme* since 1995, whereby one-day visits or open days are held during which excellent organisations can share their knowledge and experience with others, through a two-way exchange of information and giving 'hands-on' experience with new techniques and innovations — Beacon awards were conditional upon winners being prepared to do this.

The award of Beacon Council status was intended to recognize 'excellence' or innovation; and to disseminate good practice. Award winners had to demonstrate an excellent service in the nominated theme; have evidence of a good overall corporate performance, including favourable recent inspections (the so-called 'corporate hur-

dle'), and had to suggest interesting opportunities for others to learn from their practice (Downe and Hartley, 2007). Interestingly, the Beacon Scheme eventually spread from the UK — in 2005–06 the associations of municipalities of Bosnia and Herzegovina and the Republika Srpska, in partnership with OECD and the Council of Europe, developed a Beacon Councils scheme based on the UK Beacon Scheme, funded by the UK and Swiss Governments.

Capacity building in the third sector to improve local public services

Around the same time as ODPM launched the CPA and the Capacity Building Fund for poorly performing local authorities, a government review (HM Treasury, 2002) recognised the need to build the capacity of organisations in the third sector, particularly to help them improve their contribution to local service delivery. It highlighted the need to improve 'infrastructure support' (e.g. training, information, advice, etc.) to frontline organisations in the third sector, identifying that this support was variable in quality and reach, poorly coordinated and lacking sustainability, particularly at local level.

In this review, capacity building was defined as being about ensuring that third sector organizations (TSOs) have the skills, knowledge, structures and resources to realise their full potential. It was seen as being as much about releasing existing capacity as about developing new capacity. The review identified four different kinds of capacity, all of which have to be achieved to the right level and balanced in the right mix:

- Organisational capacity;
- Technical capacity to deliver specific services;
- Infrastructure capacity; and
- Community capacity.

Addressing the support needs of front-line organizations (FLOs) in the third sector, the strategy placed emphasis on the importance of FLOs being better able to improve the performance of their organisation, on workforce development and leadership opportunities, on greater awareness of the costs and benefits of ICT, on good governance, on a high quality volunteering infrastructure and diversification of income sources.

The strategy stressed that at a local, sub-regional and regional level, stakeholders should come together to agree the shape and structure of provision which best suited the needs of FLOs and how this provision should be funded. It was envisaged that at regional, sub-regional and local levels infrastructure should gradually coalesce into geographic hubs of activity with services sharing premises, back office facilities or merging depending on needs. The main policy instrument was promoting the establishment and development of support networks, generally known as 'ChangeUp consortia', mainly at local authority level, which were intended to improve the management, organisation and skills of frontline third sector organisations in their area. However, there were also a number of national and regional programmes which were designed to support FLOs in tackling specific themes, and to provide support for the local ChangeUp consortia.

The core costs of these consortia were intended to be largely met by FLOs through membership fees and the sale of services but some funding came from Capacitybuilders, the national body set up to run this overall programme. This funding was expected to be long-term, strategic and focused on clear objectives which infrastructure bodies should deliver to agreed standards.

The framework set up by ChangeUp was intended to bring about a “step change” in support infrastructure for the voluntary and community sector across England — a transformed third sector operating locally, regionally and nationally. The ChangeUp model was described by Capacitybuilders staff as being based upon a ‘catalytic’ principle, through which Capacitybuilders sought to lever significant change in the overall infrastructure available to the third sector by influencing the way it is organised and the capacity of infrastructure organisations to deliver, rather than through core funding its provision. This ‘influence’ strategy was seen as key to the sustainability of the programme, helping to get maximum leverage from the funding available, since it was recognised right from the start that ChangeUp funding, however substantial, could never be remotely sufficient, in itself, to fund directly all the infrastructure needs of the third sector.

It is this “influence” approach which distinguishes ChangeUp from a straightforward “needs meeting” programme. However, this concept of a ‘leveraging’ or ‘catalytic’ strategy proved hard to explain in ways which could be understood by all stakeholders. It was variously referred to as ‘pump priming’, creating positive ‘knock-on’ or ‘ripple effects’, leveraging extra investment, etc. In particular, ChangeUp was set up by government to provide additional capacity building support to the third sector, not to replace existing provision, e.g. by local authorities.

By March 2008, in addition to the national hubs/NSS, around 130 consortia had been established and around £150 million had been spent (between 2003 and 2008) on the ChangeUp programme. A national evaluation of ChangeUp (Bovaird et al., 2010) had to take account of the fact that from 2008 the economic recession had an impact on the sector, e.g. in terms of funding available, on the need for spend and on the levels of volunteering. The evidence from the 12 locality surveys undertaken in the evaluation suggested that the ChangeUp “cascade” model had worked to varying degrees across the 12 localities. In a number of localities, it had not worked well at all. In a few localities, it had worked well and there it had had valuable impacts. In the majority of cases, however, it had only partially worked — typically, it had given rise to new structures and processes at the level of the local consortium, but then the impact has not cascaded much further. However, consortium members were generally confident that the right building blocks had been put in place, from which the third sector in their locality would benefit in subsequent years.

A particular problem with the design of this programme was that local consortia generally did not seek to influence and improve the full range of support at local level, e.g. by local authorities — instead, they tended to focus mainly on the narrower range of provision from third sector specialist infrastructure providers in their area. Similarly, local authorities had not fully engaged with ChangeUp, but instead had tended to plough ahead with their own, separate initiatives to build

capacity in those third sector organizations with which they had had traditional relationships, usually because they were longstanding suppliers of specialist services to the council.

However, the evidence from the case study areas suggests that where the “cascade” model actually was working properly, a high level of infrastructure support was demanded by frontline organisations and was being satisfactorily provided by local infrastructure organisations. Indeed, there was evidence from some localities that, when the model worked well, it raised awareness of frontline organisations about the value of support and stimulated higher demand — the kind of ‘leveraged step change’ effect which ChangeUp was designed to bring about.

Conclusion

Capacity building in local government has been recognized for several decades as a major issue. This article has discussed a range of UK approaches to capacity building at local level — most of them heavily influenced by central government policy and funding, in line with the general UK public sector culture — but their evaluations demonstrate that none of them has so far offered a ‘failsafe’ solution to the issue of how to trigger widespread capacity building in the heterogeneous and diverse world of local authorities.

The theoretical and conceptual discussion at the beginning of this article throws some light on why capacity building has been such a tough nut to crack. It shows that there is actually a very wide range of ways into building personal, organizational and partnership capacity. Different issues are likely to be a priority in any specific organization at a particular date. Consequently, capacity building approaches have to be especially tailored to local circumstances and requirements. ‘One size fits all’ is never going to work in a capacity building programme, however much it simplifies administration and cuts costs of implementation.

So perhaps the best way to summarise the arguments of this article is to list the fundamental conceptual questions which need to be answered before government devises its capacity building policy or an organization embarks upon its own capacity building programme:

- Should capacity building programmes focus more on promoting the capacities of individuals or organizations or their networks?
- Should capacity building programmes focus more on helping the organization and its networks to understand and respond to the needs of the market (‘market-led’) or to leverage the greatest value out of the resources available to it (‘resource-led’)?
- Should capacity building programmes prioritise promotion of diversity in organisations and their networks in order to generate new knowledge (‘innovation-led’), or standardisation within organisations, in order to promote diffusion of existing knowledge (‘dissemination-led’) ?
- Should capacity building programmes focus more on improving internal ca-

capacity or on improving the capacity for organisations to work together?

- Should capacity building programmes give more attention to improving the capacity of local government to mobilise resources within service systems as a whole (e.g. through greater use of the resources of private or voluntary sector, or by user or community co-production)?
- Are wider government programmes, e.g. to promote better organizational and partnership governance and stakeholder engagement, more important for successful capacity building, through changing the background conditions which give rise to capacity, than programmes which attempt capacity-building head-on?

The answers to these questions are not going to be easy but it is important that research is now focusing on them, not only in the UK but internationally. It is therefore very timely that other articles in this volume address these issues in a range of different international contexts. The topic of capacity building is now no longer a background issue, discussed only as an adjunct to human resource management — it has come of age as a central issue in organizational development and strategic performance improvement.

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