



COUNCILLORS' ALLOWANCES

Annual Report of the Independent Remuneration Panel 2014-2015

APRIL 2015

ANNUAL REPORT OF THE INDEPENDENT REMUNERATION PANEL

2014-2015

BIRMINGHAM CITY COUNCIL

FOREWORD.....	3
RECOMMENDATIONS.....	4
MEMBERS' ALLOWANCES	5
1. Basic Allowance.....	5
Setting the 2015/16 Basic Allowance	5
2. Co-optees Allowances	7
3. Carers' Allowances	7
4. Travel expenses and Subsistence Allowances.....	7
5. Special Responsibility Allowances.....	7
A Simplified Structure.....	7
Setting the 2015/16 SRAs	8
Band 1 – Strategic Leadership	10
Band 2 – Strategic Responsibility	10
Band 3 – Responsibility for Chairing Key Committees	10
Band 4 – Other Roles with Special Responsibilities	11
6. Other Matters.....	12
Appendix 1: Proposed Members' Allowance Rates (from 19 May 2015).....	13
Appendix 2: List of Evidence.....	16
Appendix 3: Membership of the Independent Remuneration Panel	17
Chair of the Panel.....	17
Council Appointees.....	17
Citizen Representatives.....	17
Co-opted Members	17

FOREWORD

The Independent Remuneration Panel has met regularly since September 2012 to continue its aim to complete a full 'root and branch' review of the Members' Allowances Scheme, as requested at a meeting of the Council.

The first stage of this, a review of the Basic Allowance, was completed in 2012/13. The second stage, focusing on the Special Responsibility Allowance (SRA), was undertaken in 2013/14. The Panel concluded that the previous system was overly complex and recommended the introduction of a new banding structure for SRAs. A report was submitted to the Council Business Management Committee in September 2014. Subsequent feedback suggested that there was agreement with the general structure and so the Panel continued to work with that structure.

The Panel reviewed the evidence for the basic allowance and – through a combination of factors – have recommended that this remain unchanged for another year.

With regards to SRAs, it has become clear that the City Council is facing major changes over the next 12 months. The Panel consider that these changes are likely to have a significant impact on the number and size of some SRAs.

It had been the Panel's intention to present a full report to City Council in April 2015, so that councillors could see the remuneration due to the different roles at the start of the municipal year. However, these likely changes have meant that this has not been possible in all cases. The Panel has therefore focused on those roles which we can reasonably infer will not change significantly in May 2015, including Regulatory Chairs and some opposition roles.

Where significant variations are likely to be made in May 2015, such as for Executive Members for Local Services and Overview & Scrutiny Chairs, the Panel will retain the recommendations made in 2014 for the present time. When the changes to the Constitution are agreed in May 2015, the Panel will meet again, fresh evidence will be taken and the SRAs re-assessed. The Panel expects that any changes to SRAs will be applicable from the date of the Constitution change.

The Panel would like to thank all those councillors and officers who gave evidence for their valuable contributions; and to Ingrid Whyte, Senior Finance Officer & Purchasing Officer (Democratic Services) and Emma Williamson, Head of Scrutiny Services, for their support to the Panel.

Sandra Cooper,
Chairman
April 2015

RECOMMENDATIONS

1. The Basic Allowance remains unchanged at £16,267.
2. The co-optee allowances remain unchanged at:
 - Chair of the Standards Committee: £1,000.00;
 - Member of an Overview & Scrutiny Committee: £831.00;
 - Member of the Standards Committee: £557.00.
3. The independent carers' allowance (hourly rate) is changed from the National Minimum Wage to the Living Wage, currently at £7.85 per hour; and that this allowance remains linked to the Living Wage in future years.
4. The professional care (hourly rate) is raised in line with the Council's rate for a Care Assistant (Grade 2 post) taking the mid-range spinal point as at 11/02/2015 to £8.73 per hour.
5. Travel expenses and Subsistence Allowances continue to reflect the Council's Scheme for officers.
6. The new banding structure for Special Responsibility Allowances is introduced.
7. The Special Responsibility Allowances to incorporate a 15% Public Service Discount.
8. The Special Responsibility Allowance rates to be as shown in Appendix 1.
9. The Allowances rates to be applied with effect from 19 May 2015.

MEMBERS' ALLOWANCES

1. Basic Allowance

As in previous years, the Panel has worked within the requirements of the Local Government Act 2000 and the accompanying Guidance and Regulations on members' allowances in making its recommendations for 2015/16.

Whilst there has been a great deal of change over the last year, the Panel reaffirms the principles of the Birmingham Councillors' Allowances Scheme as set out in last year's report. The key factors which the Panel take into account remain:

1. The promotion of a healthy democracy by reducing financial disadvantage as a barrier to people from a wide range of backgrounds and with a wide range of skills standing for election or serving as Councillors.
2. The maintenance of an ethic of voluntary public service and the need to reflect this within the Basic Allowance (BA) paid to all Councillors.
3. Councillors should not expect nor receive a full-time salary.

In the course of its evidence-gathering, the Panel heard many Councillors identify practical issues that make it difficult for people to become and remain a councillor. It is the view of the Panel that the City Council should consider improving operational efficiency so that councillors' indicative or allocated time can be used more effectively. The Panel also recognises the importance of effective training for councillors.

Setting the 2015/16 Basic Allowance

The "root and branch" review of the basic allowance (October 2013) proposed that the ASHE (Annual Survey of Hours and Earnings), place of work by local authority area (Birmingham) for a full time male, is used to set the basic allowance.

Having reviewed the chosen comparator, the Panel have agreed to retain the link with ASHE. The Panel noted that on the figures for 2014 that this would mean a slight decrease, however also noted that there has been a pay freeze for a number of years.

	CURRENT RATE	ASHE APRIL 2014
<i>Gross min. time (3 days x 52 weeks)</i>	156.00	156.00 days p.a.
<i>x Baseline per day</i>	<u>132.93</u>	<u>127.48</u>
<i>Gross Rate</i>	20,737.08	19,886.88
<i>Less public service discount 25%</i>	5,184.27	4,971.72
TIME ELEMENT	15,552.81	14,915.16
ADDITIONAL EXPENSES ELEMENT	<u>715.00</u>	<u>715.00</u>
BASIC ALLOWANCE (ROUNDED)	<u>16,267.00</u>	<u>15,630.00</u>

The Panel also considered the recent change in legislation¹ that has meant Councillors elected or re-elected after April 2014 no longer have access to the Local Government Pension Scheme (LGPS). The LGA (and some local authorities) are exploring the creation of alternative pension provision for those councillors who no longer have access to the LGPS.

The Panel have been of the opinion over the years that pensions are a fundamental part of the remuneration package – that the pension is in effect deferred remuneration. The Panel's view is therefore that councillors should be in the scheme. However, the advice at present is that the Panel cannot address this within the basic allowance as, if an element of compensation for the loss of access to the LGPS were to be explicitly included, then the final decision may be open to judicial review. If this position were to change, the Panel would reconsider the basic allowance in light of the changes to pension access.

The Panel reviewed the current basic allowance alongside that for councillors in the other core cities, and found that Birmingham's basic allowance remains the highest amongst this comparator group.

The Panel also considered the evidence received from councillors, which was gathered through face-to-face sessions (both those invited to meetings and those who attended an "open house" held in January) and through written evidence. In total, 27 councillors submitted evidence.

The majority of those councillors who gave evidence on this matter did not think that the basic allowance should be increased. Those who did put forward reasons for an increase argued that:

- The nature and demands of the role mean it is very difficult to hold down additional employment. It is also very difficult to progress in other careers whilst being a councillor;
- Birmingham wards are larger than most others in the country, so a higher allowance is justified;
- There are no employment (including maternity or pension) rights associated with the role. Job instability is a component of the role – which can cause difficulties in matters such as getting a mortgage.

However most, whilst noting the pay freeze over previous years, also noted that cuts are being made in many parts of the Council and so judged that a rise at this time would not be justified.

Notwithstanding this, many warned against a continuing freeze, or a cut in future years, as this is likely to have a deleterious effect on both the recruitment and retention of councillors in the future. In particular, younger councillors, and those with young families may have difficulty with the basic allowance level. There was also a view that workloads for councillors were increasing and that that should be a consideration. No councillor argued for a decrease.

¹ Local Government Pension Scheme (LGPS) transitional regulations issued on 10 March 2013 - See more at: http://www.local.gov.uk/web/lgaworkforcepensions/home/-/journal_content/56/333443/6835968/ARTICLE#sthash.SITmNISX.dpuf

Most councillors who gave evidence also agreed that it was right that a public service discount was applied to the basic allowance, and that it was currently at the right rate. The recognition of the public service element was valued by councillors.

Given the combination of these factors, the Panel is therefore recommending that the Councillors' Basic Allowance remains unchanged.

2. Co-optees Allowances

The Panel considered the co-optee allowances and were of the view that these should remain unchanged, in line with the basic allowance.

3. Carers' Allowances

In 2012, the City Council agreed to adopt the Living Wage for all its employees, and subsequently extended this to externally-contracted care sector workers from October 2014.

The Panel therefore recommends that the independent carers' allowance adopt the change from the National Minimum Wage to the Living Wage, currently at £7.85 per hour.

The professional care (hourly rate) is based on the Council's rate for a Care Assistant. After making enquiries, the Panel found that the rate is now graded as a Grade 2 post and taking the mid-range spinal point (as at 11/02/2015) equates to £8.73 per hour.

4. Travel expenses and Subsistence Allowances

The Panel took no new evidence on travel expenses and subsistence allowances, and so are recommending that these reflect the Council's Scheme for officers.

5. Special Responsibility Allowances

A Simplified Structure

In September 2014, the Panel recommended a new approach for calculating Special Responsibility Allowances. The Panel recognised that the Leader's role takes the most responsibility assessed at 100% and all the other roles are then taken as a relative percentage of the Leader's role.

Hence the Panel created a new simplified structure, with the ability to move roles easily within bands depending on the level of responsibility. If there is a significant change in the role a review can be undertaken by the Panel to determine if the role should be moved to another band.

Following feedback received, the wording of the descriptions has been amended. The Panel recommends that the new banding structure for Special Responsibility Allowances, as set out in Table 1 (overleaf), is introduced.

Table 1

Bands	Level Of Responsibility	Title/Description
1	75% to 100%	Strategic Leadership with overall responsibility for decision making for the direction and running of Council Services
2	50% to 74%	Strategic responsibility within Cabinet and also individual responsibility as delegated by the Constitution
3	15% to 49%	Responsibility for Chairing key Regulatory and Overview and Scrutiny Committees in order to meet regulatory requirements and where required hold the Executive to account
4	5% to 14%	Other roles with Special Responsibilities

Setting the 2015/16 SRAs

From the evidence received in 2013/14, the Panel recommended that the principle of public service discounts should be applied to the Special Responsibility Allowance as it does to the Basic Allowance. The weight of evidence received this year continues to support that finding. The Panel therefore agreed that the Special Responsibility Allowance should be discounted by 15%.

The Panel considered the operation of the banding system. The Panel consulted on the proposal set out in the September 2014 report, and evidence from a number of Members and Senior Officers was considered. The outcome of the deliberations and determination of the level of responsibilities is set out overleaf.

Table 2

Bands	Role	% Level of responsibility	SRA £	Basic Allowance £	Total £
1	Leader of the Council	100%	50,000.00	16,267.00	66,267.00
1	Deputy Leader of the Council	80%	40,000.00	16,267.00	56,267.00
2	Cabinet Member	50%	25,000.00	16,267.00	41,267.00
3	Chair of the Planning Committee	30%	15,000.00	16,267.00	31,267.00
3	Chair of the Licensing & Public Protection Committee	30%	15,000.00	16,267.00	31,267.00
3	Leader of the Largest Qualifying Opposition Group	25%	12,500.00	16,267.00	28,767.00
3	Chair of Governance, Resources & Customer Services Overview & Scrutiny Committee	22%	11,000.00	16,267.00	27,267.00
3	Chair of Other Overview & Scrutiny Committees	20%	10,000.00	16,267.00	26,267.00
4	Deputy Leader of the Largest Qualifying Opposition Group	14%	7,000.00	16,267.00	23,267.00
4	Executive Member for Local Services	12%	6,000.00	16,267.00	22,267.00
4	Chair of the Audit Committee	10%	5,000.00	16,267.00	21,267.00
4	Chair of the Trust & Charities Committee	10%	5,000.00	16,267.00	21,267.00
4	Leader of Other Qualifying Opposition Groups	10%	5,000.00	16,267.00	21,267.00
4	Deputy Leader of Other Qualifying Opposition Groups	5%	2,500.00	16,267.00	18,767.00
4	Lead Opposition Spokesperson (Shadow Cabinet Member)	5%	2,500.00	16,267.00	18,767.00
4	Political Group Secretaries	5%	2,500.00	16,267.00	18,767.00

Band 1 – Strategic Leadership

Leader of the Council – In September 2014, the Panel recommended that “the ASHE 2013 for all Industries and Services Male Full Time (top 10%) table 4.1a for the United Kingdom would be the most appropriate comparator to be used for the Leader’s role in order to reflect the transferable skills of the role”.

Having reviewed the chosen comparator, the Panel have agreed to retain the link with ASHE.

	ASHE April 2013	ASHE April 2014
<i>Baseline per week</i>	1,125.30	1,122.30
<i>Baseline annual rate</i>		
<i>Rate for Leader of the Council</i>	58,515.60	58,359.60
<i>Less 15% public service discount</i>	<u>8,777.34</u>	<u>8,753.94</u>
	<u>49,738.26</u>	<u>49,605.65</u>
Proposed Special Responsibility Allowance for Leader of the Council (rounded)	£50,000.00	£50,000.00

Deputy Leader of the Council – in September 2014, the Panel concluded as a result of the evidence received that the Deputy Leader was providing greater support to the Leader, as a result in changes to the scheme of delegation, than previously. After considering the further changes to the Constitution and taking further evidence, the Panel recommends that the level of responsibility should be 80%. This may need to be reviewed following the changes to the Constitution at the AGM in May.

Band 2 – Strategic Responsibility

Cabinet Members – from evidence received both this year and last, it is apparent that Cabinet Members have a more collective responsibility with other Cabinet Members. It is therefore recommended that the Special Responsibility Allowance is 50% of the Leader’s Special Responsibility Allowance. This may need to be reviewed following the changes to the Constitution at the AGM in May.

Band 3 – Responsibility for Chairing Key Committees

Chair of the Planning Committee – the Panel took evidence on the level of responsibility and concluded that the role should be placed in the structure at 30% of the Leader’s Special Responsibility Allowance.

Chair of Licensing & Public Protection – the Panel took evidence on the level of responsibility and concluded that the role should be placed in the structure at 30% of the Leader’s Special Responsibility Allowance.

Leader of the Largest Qualifying Opposition Group – the Panel took evidence on this role and concluded from the evidence that the role of the Leader of the Largest Qualifying Opposition Group is to hold the Executive to account. The Panel therefore recommends a Special Responsibility Allowance at 25% of the Leader’s Special Responsibility Allowance.

Chair of Overview & Scrutiny Committees – in September 2014, the Panel recommended a Special Responsibility Allowance at 22% of the Leader’s Special Responsibility Allowance for the Chair of the Governance, Resources and Customer Services O&S Committee, and a Special Responsibility Allowance at 20% of the Leader’s Special Responsibility Allowance for the other Overview & Scrutiny Chairs.

The Panel took the view, from both the Kerslake report and from evidence received, that it was likely that the level of responsibility attached to these roles could change significantly following changes to the Constitution in May 2015. The Panel will therefore retain the recommendations made in 2014 for the present time. When the changes are announced, the Panel will meet again, fresh evidence will be taken and the SRA re-assessed. The Panel expects that any changes to Special Responsibility Allowances will be applicable from the date of the Constitution change.

Band 4 – Other Roles with Special Responsibilities

The Panel noted that there is no longer an Employment and Human Resources Committee, following a change to the Constitution agreed at City Council on 3rd March 2015.

Executive Member for Local Services – as with Overview & Scrutiny Chairs, the Panel took the view, from both the Kerslake report and from evidence received, that it was likely that the level of responsibility attached to these roles could change significantly following changes to the Constitution in May 2015. The Panel will therefore retain the recommendations made in 2014 for the present time – that the role of Executive Member for Local Services should have an allowance of 12% of the Leader’s Special Responsibility Allowance. When the changes are announced, the Panel will meet again, fresh evidence will be taken and the SRA re-assessed. The Panel expects that any changes to Special Responsibility Allowances will be applicable from the date of the Constitution change.

Chair of the Audit Committee – no new evidence was offered to the Panel for this role and there was no significant evidence to suggest any change to the role. The Panel therefore concluded from previous evidence that the role should be placed within the structure at 10% of the Leader’s Special Responsibility Allowance.

Chair of the Trust & Charities Committee – the Panel gave this role careful consideration in 2013, and concluded that the role warrants a Special Responsibility Allowance at 10% of the Leader’s Special Responsibility Allowance. Further evidence was taken this year, and the Panel agreed that 10% was the correct level.

Leader of Other Qualifying Opposition Groups – no new evidence was presented to the Panel. The Panel recognise the value of this role and concluded that the role warrants a Special Responsibility Allowance at 10% of the Leader’s Special Responsibility Allowance.

Deputy Leader of the Largest Qualifying Opposition Group – the Panel concluded that this role is to support and deputise for the Leader of the Largest Qualifying Group, but was not equivalent to the relationship between that of the Deputy Leader and the Leader. Having taken further evidence this year, the Panel recommends a Special Responsibility Allowance at 14% of the Leader’s Special Responsibility Allowance.

Deputy Leader of Other Qualifying Opposition Groups – the Panel determined that the level of responsibility for this role warranted an SRA of 5%.

Lead Opposition Spokesperson (Shadow Cabinet Member) – the Panel determined that the level of responsibility for this role warranted an SRA of 5%.

Political Group Secretaries – from the evidence received the Panel recognise that the Political Group Secretaries do have a role to play in the management of City Council business and therefore recommend a Special Responsibility Allowance for this at 5%.

6. Other Matters

The Panel were also asked to consider the recent change in legislation² that has meant Councillors elected or re-elected after April 2014 no longer have access to the Local Government Pension Scheme (LGPS). This has been covered in section 1 of this report on the basic allowance, but it is also relevant to SRAs.

The Panel have been of the opinion over the years that pensions are a fundamental part of the remuneration package – that the pension is in effect deferred remuneration. The Panel’s view is therefore that councillors should be in the scheme. The Panel also notes that this year and next are transitional years, whereby some councillors are in the scheme when others are not, which is inequitable. However the advice at present is that the Panel cannot address this within the basic allowance as, if an element of compensation for the loss of access to the LGPS were to be explicitly included, the final decision may be open to judicial review. This is because the government’s clear intention in removing access to the LGPS was that taxpayers, via the Local Government Pension Scheme, should not fund pensions for councillors or other elected local office-holders. If this position were to change, the Panel would reconsider.

² Local Government Pension Scheme (LGPS) transitional regulations issued on 10 March 2013 - See more at: http://www.local.gov.uk/web/lgaworkforcepensions/home/-/journal_content/56/333443/6835968/ARTICLE#sthash.SITmNISX.dpuf

Appendix 1: Proposed Members' Allowance Rates (from 19 May 2015)

<u>BASIC ALLOWANCE</u> (per annum unless otherwise stated)	£
Baseline per Day Rate	132.93
Basic Allowance (with effect from 01 October 2013)	16,267.00
Time Element	15,552.00
Additional Expenses Element	715.00

Figures in brackets represent rates prior to May 2015

<u>SPECIAL RESPONSIBILITY ALLOWANCE</u> (per annum unless otherwise stated)	
Baseline per week (£1,125.30 discounted by 15%)	956.51 (968.32)

STRATEGIC LEADERSHIP

Leader of the Council (rounded up)	50,000.00 (50,352.00)
Deputy Leader of the Council	40,000.00 (37,764.00)

STRATEGIC SHARED RESPONSIBILITY

Cabinet Member	25,000.00 (28,197.00)
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RESPONSIBILITY FOR CHAIRING KEY REGULATORY, OVERVIEW & SCRUTINY COMMITTEES

Chair of the Planning Committee	15,000.00 (14,803.00)
Chair of Licensing & Public Protection Committee	15,000.00 (14,803.00)
Leader of the Largest Qualifying Opposition Group	12,500.00 (12,689.00)
Chair of Governance, Resources & Customer Services Overview & Scrutiny Committee	11,000.00 (12,689.00)
Chair of other Overview & Scrutiny Committees	10,000.00 (12,689.00)

OTHER ROLES WITH SPECIAL RESPONSIBILITY

Deputy Leader of the Largest Qualifying Opposition Group	7,000.00 (6,545.00)
Executive Member for Local Services	6,000.00 (10,574.00)
Chair of the Audit Committee	5,000.00 (5,659.00)
Chair of the Trust and Charities Committee	5,000.00 (5,659.00)
Leader of Other Qualifying Opposition Groups	5,000.00 (5,287.00)
Deputy Leader of Other Qualifying Opposition Groups	2,500.00 (2,115.00)
Lead Opposition Spokesperson (Shadow Cabinet)	2,500.00 (2,618.00)
Political Group Secretaries	2,500.00 (2,179.00)

(A Qualifying Opposition Group is one with a minimum of 6 Members)

<u>CO-OPTEE ALLOWANCES</u> (per annum)	£
Chair of the Standards Committee	1000.00
Member of an Overview & Scrutiny Committee	831.00
Member of the Standards Committee	557.00

CARERS' ALLOWANCES

£

Independent care - hourly rate with effect from	7.85
Professional care with supporting documentation - hourly rate of	8.73

TRAVEL EXPENSES AND SUBSISTENCE ALLOWANCES

Car, Motorcycle and Bicycle Allowance Rates are set in line with those paid to officers of the authority.

Day and Overnight Subsistence Allowances are set in line with those paid to officers of the authority or the inflation factor in the council's budget.

Car Mileage Rates

First 10,000 business miles in tax year	45p per mile
Each business mile over 10,000 in tax year	25p per mile
Supplement for official passenger	5p per mile

If car mileage is claimed for travel outside the West Midlands area, the payment will be the lesser of the value of the actual mileage claimed or the peak time standard rail fare.

Motorcycle Mileage Rates 24p per mile

Bicycle Mileage Rates 20p per mile

Other Travel Expenses

Rail Travel (supporting receipt required)	Standard Class Fare
Taxi, Tube and Bus Fares, Car Parking, Toll Charges (Supporting receipts if possible)	Actual Cost

If a travel pass is provided by the Council the recipient must make a contribution of 40% towards the total cost met by the Council. The recipient also forgoes the right to claim for travel allowances or expenses for duties undertaken in the area covered by the pass or to make use of transport services provided directly by the Council, unless the relevant travel service is not available, or there are health and safety reasons.

Benchmark Day Subsistence (excluding VAT)	£
Breakfast	4.48
Lunch	6.17
Tea	2.43
Evening Meal	7.64

Benchmark Overnight Subsistence (excluding VAT)

In London	97.09
Other locations outside London	85.13

The reasonable cost of meals taken, overnight accommodation and minor associated out-of-pocket expenses will be reimbursed, **subject to the provision of supporting receipts**. The validity of claims made will be judged against where the meal was taken or where the stay occurred, the total time spent on the duty and the relevant benchmark subsistence value.

Appendix 2: List of Evidence

Evidence was received from the following sources:

Face to face meetings:

Meetings with Councillors were held between November 2014 and March 2015. This included meetings with the Leader, Deputy Leader, other Cabinet Members, Regulatory Chairs, Scrutiny Chairs and backbench members.

The Panel also took evidence from:

- Chief Executive
- Director, Corporate Finance
- Director of Legal and Democratic Services
- Head of Planning Management
- Service Director, Regulation & Enforcement

Written Evidence:

Research was presented to the Panel on:

- A summary of other core cities member allowances and Special Responsibility Allowances;
- A summary of the number of Executive decisions taken;
- A report on pension arrangements in other local authorities;
- Information on Pension Membership from 31/01/2015
- Taxpayer-funded pensions for councillors and other elected local office holders – Government response to the Consultation, March 2014
- Member Development– report submitted to Governance, Resources & Customer Services O&S Committee, November 2014
- Extracts from the Constitution: Gateway and Related Financial Approval Framework – May 2013;
- The Trusts and Charities Business Plan;
- The way forward: an independent review of the governance and organisational capabilities of Birmingham City Council, Sir Bob Kerslake, December 2014

Appendix 3: Membership of the Independent Remuneration Panel

Chair of the Panel

Sandra Cooper, Citizen Representative, Stirchley

Council Appointees

David Grainger

Stephen Shute

Citizen Representatives

Graham Macro, Sutton Coldfield

Subat Khan, Ward End

Michael Tye, Handsworth

Co-opted Members

Honorary Alderman Len Gregory

Honorary Alderman Jim Whorwood