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## Local Overseas Allowance (LOA) Overview

### What is a Local Overseas Allowance?

The aim of LOA is to contribute towards the necessary additional local cost of day-to-day living when Service personnel are required to serve overseas; either on a permanent, temporary, exercise, Seagoing or (if applicable) Operational basis.

### Why is LOA changing, and why now?

Following a thorough review of LOA, it was determined that improvements were required to ensure that Service personnel receive a justifiable and needs-based contribution to the additional cost of living when serving overseas. The review was not designed to achieve savings and the revisions to the LOA package are cost neutral.

The LOA review was complex and required a joint approach by the single Services, Defence People's Allowances policy team and Defence Business Services. The review took over three years to complete and the new methodology should ensure that Service personnel and their families receive justifiable, needs based contribution towards overseas living costs.

### Who has approved these changes?

The Secretary of State has taken a close personal interest in the development of the new LOA methodology. The new construct has also been approved by Min/DPV, the Senior Personnel Officers of the single Services, Vice Chief of Defence Staff and the Chief of Defence People.

### What happens to the current designations of 'Main' and 'Small' stations; are there still any distinctions in terms of the new LOA?

No. The new LOA will apply a single methodology to all locations currently identified as Main and Small stations. As such the Main/Small station designation is irrelevant for the purposes of LOA as all Service personnel will have their LOA calculated using the same methodology from 1 July 2021.

## Changes to LOA

### How is LOA changing?

The aim of LOA remains the same. However, how we calculate LOA is changing. The new LOA package is made up of the LOA daily rate and two needs-based provisions that contribute towards your overseas private vehicle and respite (travel and accommodation)

costs. The new construct better reflects the actual costs incurred by Service personnel and enables them to claim Vehicle and Respite provisions when they incur the costs. Currently, these two provisions are included in the overall LOA daily rate which is spread throughout the assignment. As such, when comparing the new LOA with the current it is important to compare the overall package rather than making a straight comparison between daily rates. These additional contributions will be accessible only to Service personnel on permanent assignments overseas. One of the most significant changes will be the introduction of a single band for all Service personnel regardless of rank, removing the previous rank-based banding system. Broadly, the changes to LOA can be categorised by three improvements:

**Consistency:**

- The current LOA is comprised of two different methodologies for calculating LOA contributions. For locations with 20 or more permanently assigned Service personnel, the Main Station LOA (MSLOA) methodology is applied, while for locations with fewer than 20 assigned Service personnel, the Small Station LOA (SSLOA) methodology is applied. The two packages use different data sources and methodologies to achieve the same policy aim.
- The new LOA package replaces both MSLOA and SSLOA with a single methodology which applies to all locations and removes disparities in treatment among Service personnel based on where they are assigned.
- One of the most significant changes will be the introduction of a single rate for all Service personnel regardless of rank, removing the previous rank-based banding system.

**Governance and support:**

- Under the new LOA construct the vehicle and respite provisions are paid in lump sums to those who need them at the point of expenditure. Currently these provisions are included in the daily rate without evidential requirement and spread across the term of an assignment.

**Better underpinning data:**

- The revised LOA methodology uses more comprehensive and up to date data. In addition to Office of National Statistics (ONS) data, the new methodology is based on commercially available data from Employment Conditions Abroad (ECA) used by multi-national corporations as well as the Foreign, Commonwealth and Development Office (FCDO).
- The new data sources give a more accurate rate on cost of living and spending patterns for both overseas locations and the UK baseline (the cost of living in the UK). This will allow us to better understand costs and to determine contributions more accurately, to ensure that Service personnel are not financially disadvantaged when serving overseas.

The review was not designed to achieve savings and the revisions to the LOA package are cost neutral. The changes will ensure Service personnel receive an accurate, needs-based contribution to the additional living costs arising from overseas service. They also provide transparency and improved governance to help safeguard the public purse.

The new method for calculating LOA will be implemented on 1 July 2021 and will go through a transition period of up to three years, until 1 July 2024. The Overseas Private Vehicle Provision (OPVP) element will be available from 1 April 2021.

**What is wrong with the current methodology for working out the rates?**

The main weaknesses of the current LOA can be categorised as follows:

- **Rank-based banding:** The current LOA methodologies use a rank-based banding system which is outdated and creates a disparity in the contribution to overseas living costs.
- **Underpinning data:** Currently, the Defence Business Services (DBS) led 'pricing exercises' give an accurate snapshot of the cost of living at a given time in a specific location. However, it doesn't reflect sudden changes in local inflation, or survey the comprehensive range of outlets that the new commercial sources do. As such, the rates quickly become outdated and inaccurate meaning that Service personnel might either receive too much or too little.
- **Inconsistent Methodologies:** The current LOA is comprised of two different methodologies to achieve the same policy aim. This means that depending on the overseas location, the way that the LOA contribution is calculated could either be determined by the MSLOA or SSLOA methodology. Therefore, the contributions that Service personnel receive are inconsistent.

### **Will the cost of living still be banded by rank?**

No. Service personnel will receive a single rate based on the cost of living in their respective locations, irrespective of rank. Distinctions will continue to be made for unaccompanied and accompanied Service personnel, and for personnel with accompanying children.

### **Are the changes to LOA just another cut to Service terms and conditions?**

This was not a cost-saving exercise. This is about ensuring that Service personnel receive an accurate, needs based contribution to their additional living costs when serving overseas. Some locations will attract an increase in daily rates, while others will remain broadly the same or decrease.

### **Who do the changes to LOA affect?**

The changes will affect all personnel entitled to LOA as a result of service overseas on permanent assignment, temporary duty, as Seagoers, on Exercise or (if applicable) on operation after 1 July 2021.

### **How will Defence Attachés be impacted by the new system of LOA?**

Defence Attachés (DAs) and their support staff will continue to receive Cost of Living Addition (COLA) and other specific allowances in line with FCDO arrangements. Whilst this position may be reviewed in future, any new system would take full account of the unique nature of DA/support staff work.

### **What will happen to the Living-Out Supplemented Rate of LOA (LOSLOA), once the new LOA is implemented?**

The current methodology for unaccompanied rates of MSLOA assumes that the Service person is accommodated in a Mess or Garrison facility, i.e., Living-In. Service personnel who are Living-In receive unaccompanied LOA. Under current arrangements, when no messing facilities are available and the Service person is Living-Out, they receive the unaccompanied LOA + the Living Out Supplement (LOS), i.e., LOSLOA.

In the new LOA methodology, the data underpinning unaccompanied rates of LOA assumes that the Service person is Living-Out. This means that the data assumes they don't have access to messing facilities and are buying food etc.

Under the new arrangements, when unaccompanied Service personnel are Living-In the mess they will receive the Living-In rate of LOA. The Living-In rate is a reduced rate based on a straight percentage of the Living-Out rate. Therefore, the concept of having a Living-Out supplement is redundant under the new methodology, as Living-Out contributions are already included in the default unaccompanied rate.

## **What will happen to Service couples assigned to the same overseas location?**

Married Accompanied Service Couples (MASC) who are assigned to the same location will each receive the full unaccompanied rate of LOA payable for their specific overseas site. This will ensure that MASC receive a contribution of at least equal value to other accompanied couples whilst providing a rate of LOA individually through their pay, thus ensuring compliance with the Equality Act 2010. This Act provides legal protection from discrimination against those who are married or in a civil partnership, including on the basis of who a person is married to. The revised construct reflects that both partners are SP in their own right and provides an appropriate contribution towards their combined overseas living costs.

## **How the transition will work**

### **When will Service personnel know how they will be affected?**

The new rates of LOA will be available from June. Due to data cycles, this is the earliest possible date that the rates will be available. A Directed Letter detailing the daily rates for each location was distributed to single Service Pay Colonels on 11 June 2021 and this will be shared with Service Personnel.

### **Why did we have to wait to find out the new rates?**

To ensure implementation of the new package is based on the most up to date rates, our calculations can only begin when all of the relevant data from the Office of National Statistics and Employment Conditions Abroad (ECA) has been received.

### **How will those already receiving LOA be moved on to the new LOA package on 1 July 2021?**

Service personnel already in receipt of LOA on 30 June 2021 will transfer to the new LOA package on 1 July 2021. Transitional arrangements will apply over a three year period to ensure that any changes are made gradually and have minimum impact on SP.

### **How will the phased transition work?**

Locations that see a significant rate reduction, will have their rates transitioned over a period of up to three years through incremental annual adjustments of a maximum of 25% in the *difference* between the current and new rate per year. However, some locations may see an immediate downward shift where the difference between the old and new rate is small enough that a phased transition is unnecessary.

The phased implementation will affect both those already assigned in the location and those assigned after 1 July 2021, so that everyone serving in the same location will be on the same rate.

Any increases in rates will immediately take effect on 1 July 2021 in full.

### **Currently, Small Stations are exempt from accommodation and utility charges. Since the new LOA is replacing both MSLOA and SSLOA, will all locations now incur accommodation and utility charges?**

Service personnel currently in receipt of SSLOA are exempt from accommodation and utility charges. This is because the data underpinning SSLOA is based on the FCDO allowance package which does not attract the payment of such charges. When the revised LOA methodology is introduced from 1 Jul 21, the distinction between Small and Main Stations will disappear and all LOA will be based on the same underpinning data.

In future, Service personnel assigned to locations currently classed as Small Stations locations will be liable for accommodation and utility charges. The programme for the

removal of the exemption from accommodation and utility charges is being worked through by the Accommodation Policy team with its stakeholders. Although the timescales for this are not yet known, it is thought unlikely that the change will occur before the end of the 3 years LOA transitional period.

## **Explaining the methodology**

### **We serve in so many different types of units and in so many locations, you can't possibly get the correct rates for everyone?**

The new methodology takes us away from the existing approach of providing two different LOA packages depending on whether Service personnel are serving in a Main or Small Station.

Instead, there will be a standardised package for Service personnel in all overseas locations based on accurate but flexible information. This will be combined with more subjective factors appropriate to specific locations, e.g. contribution towards location-specific, legally required items, such as, winter tyres in Norway. In this way, Service personnel will receive a level of LOA appropriate to wherever they are stationed in the world.

### **The cost of living has increased in the location I have been assigned to; will my LOA also increase?**

The LOA reflects the difference between the UK cost of living and living costs in overseas locations. Therefore:

- If the cost of living in the UK has stayed the same but the cost of living in the location where you are assigned increases, then you will see an increase in LOA.
- However, if the UK baseline increases at the same rate as, or faster than, the cost of living of the country in which you are stationed, then your rate of LOA should stay the same, or it may decrease.

Moreover, the LOA daily rate calculation is conducted annually and the daily rates for all locations will normally be fixed for the year once published. Any changes in the cost of living will be reflected in the annual release of LOA rates. If, however, there is a significant change in the cost of living relative to the UK, during the year, a decision would be made by the MOD and the single Services as to whether the rates should change or not.

### **What rates of LOA will be paid to Service personnel on non-permanent assignments overseas?**

Temporary Duty, Exercise, Seagoing (paid when ships crews are granted shore leave overseas) and Operational LOA may be paid to personnel on alternative (non-permanent) unaccompanied assignment types based on the new LOA methodology. As with the current arrangements, these will be paid at a lower rate than permanently assigned personnel to reflect the differences in costs experienced by Service personnel on different assignment types.

## **How Split Net Pay/exchange rates will work**

### **Can we still use 'Split Net Pay' to have a portion of our pay (including allowances) paid into an overseas bank account?**

Split Net Pay will still be available, but the money you receive into your overseas account may change as Split Net Pay transfers will be conducted using the General Accounting Rate (GAR) which changes each month.

### **Will I still be able to use Split Net Pay on JPA?**

You will still be able to use Split Net Pay on JPA.

**When my money was transferred using the FFR (Forces Fixed Rate of Exchange), I used to receive the same amount each month until the FFR changed. Why are you changing the rate to the GAR (General Accounting Rate) which changes each month?**

The GAR changes monthly so the amount of money transferred to you each month is more reflective of current exchange rates. A mechanism will be in place to monitor exchange rates and where necessary, rates of LOA will reflect major changes in exchange rates.

In the same way as the Forces Fixed Rate (FFR) mechanism currently monitors exchange rates and triggers occasional changes in LOA rates, the new mechanism will monitor the GAR and when the threshold of +/- 10% over 8 weeks has been passed, a change in LOA may be triggered.

**How will LOA rates reflect future changes in exchange rates?**

If, after LOA rates have been issued, there are no significant fluctuations in foreign exchange rates, the intent is that LOA rates will be updated annually, each July. The new mechanism is really no different to the current one.

**If it is not possible to utilise Split Net Pay at my Overseas Duty Station may I reclaim the costs of transferring funds overseas?**

If Split Net Pay does not work at your duty station then you may reclaim the cost of the transaction as well as the difference between the exchange rate you achieve and the MOD General Accounting Rate (GAR), for one transfer (of up to 100% of your salary) each month. During your arrival and departure periods ('about 6 weeks') you will be able to claim all reasonable exchange costs whilst you don't have an active overseas bank account. Once your overseas bank account is established, you are authorised to claim the costs for a single transfer of funds per month.

**What exchange rate will the Split Net Pay transfer of funds be calculated in?**

As with the calculation of LOA, the future transfer of funds to overseas bank accounts will be conducted at the General Accounting Rate (GAR), for Service personnel **AND** Civil Servants. As the GAR is adjusted monthly, this means that the funds received into overseas bank accounts will differ each month, however, the amounts received will be more closely aligned with actual exchange rates. Monthly exchange rates are available [here](#) (MODNET Only).

## **The Overseas Private Vehicle Provision (OPVP)**

**What is the Overseas Private Vehicle Provision?**

Available since 1 April 2021, the OPVP assists Service personnel with access to a single private motor vehicle in the LOA area. The provision is in the form of a capped amount which the Service person may use in one of the following ways:

- To provide a contribution to administrative and vehicle depreciation costs, up to a capped rate, when selling and purchasing vehicles (two transactions), as required by an assignment to and from a permanent overseas assignment.

- To contribute to the charges, up to a capped rate, incurred when a Service person is required to cancel a vehicle lease agreement due to a permanent overseas assignment.
- To contribute to the expense of shipping one vehicle, up to a capped rate, to and from the permanent overseas assignment at the start and end of their assignment.

### **Does this impact access to Duty Travel for North West European locations?**

Currently, Duty Travel policy gives Service personnel the option to drive their personal vehicle to eligible countries (Germany, France, Belgium, Denmark, Luxembourg and the Netherlands) and claim Motor Mileage Allowance and one day's subsistence as a contribution towards this journey. From 1 April 2021, qualifying locations will expand to include Italy, Spain, Portugal and Gibraltar. If unaccompanied, Service personnel will be subject to the default one vehicle regulation.

### **What is the capped rate of OPVP?**

The final rate of OPVP is yet to be confirmed, but for planning purposes the indicative rate is approximately £800 which, depending on the circumstances of the SP, can be claimed on assignment into and out of the overseas assignment, meaning that in some cases Service personnel will be able to claim up to a total of circa £1600, a circa £300-£500 increase on the existing policy.

### **How many times can I claim OPVP?**

Service personnel may claim OPVP only once per assignment order into and from the overseas assignment. For the subsequent assignment, the Service person will only receive the provision if they are assigned to a different LOA area. The new vehicle provision replaces the current vehicle contribution which is paid as a part of the MSLOA daily rate. This will ensure that the provision is only paid to those who need it.

### **What if I am running two private vehicles?**

From 1 July 2021, an augmented rate of LOA will also be available to accompanied Service personnel demonstrating that they are running two private vehicles in the overseas location.

### **How can Service personnel claim the Overseas Private Vehicle Provision?**

The arrangements for this provision are detailed in JSP752 and claimed as a JPA i-expense, subject to the provision of documentary proof (e.g. If applying for a contribution towards depreciation and administrative costs of selling and buying a private vehicle then this will require a receipt of purchase/sale and a copy of the appropriate vehicle registration document).

### **Can I still qualify for the Vehicle Provision if I am overseas when the new LOA is introduced?**

If, on 1 July 2021, you are:

- Within three months of the start of the assignment, it will be assumed that you have utilised OPVP, which will be available from 1 Apr 21;
- Have been assigned between 4 to 14 months to a Main Station location you may qualify for Car Buy/Sell reimbursement. This is subject to the provision of evidence that you engaged in the necessary selling and buying activities when you were assigned. You would receive a one-off payment based on a calculation for each qualifying month. This will be claimed back through JPA I-Expense.

- Have been assigned for more than 14 months to a Main Station location, then the assumption is that you have received at least half the Buy/Sell allowance element of MSLOA. Therefore, you will not receive any further vehicle-related contribution until you are next assigned when you will qualify for OPVP provision.

### **Are shipping costs still capped if the private vehicle has been adapted for a disabled passenger and/or driver?**

If a Service person can demonstrate that they require to ship a vehicle that has been adapted to assist a disabled driver and/or passenger, then such a vehicle can be moved to and from the overseas assignment location by the MOD GRMS contractor. This will apply so long as the individual for which the adaptation has been made has been assigned to or is an accompanying member of the immediate family in the overseas location.

### **In order to receive the augmented 2<sup>nd</sup> vehicle rate, what type of evidence do we need to provide to prove that we are running two private vehicles in the overseas location?**

Only accompanied Service personnel will be eligible to claim an augmented rate of LOA as a contribution towards running two vehicles overseas. Service personnel should produce insurance documentation as evidence that they are running a 2<sup>nd</sup> vehicle.

## **Overview of the Respite Provision**

### **What is the Respite Provision for?**

The Respite Provision provides financial assistance towards accommodation and travel for an agreed number of days respite from the Duty Station. It will be delivered through an annual contribution towards travel and/or accommodation for Service personnel and (where applicable) immediate family, during permanent assignments overseas.

The contribution is per person per year (including qualifying family members) and must be used for travel and/or accommodation costs only. This will replace the previous provision commonly referred to as 'Bett Nights'.

### **Can I still qualify for the Respite Provision if I am assigned overseas in the months leading up to the introduction of the new LOA?**

If you are receiving LOA on a permanent overseas assignment, then on 1 July 2021 you are eligible to apply for the Respite provision, regardless of how long you have been receiving LOA prior to the implementation of the new LOA package.

## **Overview of the Daily Rate elements**

### **How is the daily rate calculated?**

The LOA daily rate is informed by three elements; the Cost of Living element, the Environmental Factor and the Location Factor.

### **What is the Cost of Living element?**

The Cost of Living element determines the relative difference in the average cost of living between the UK and the overseas location and includes factors such as the cost of food and beverages, vehicle running costs, clothing & footwear, recreation/culture and transport. The difference between the UK cost of living and that in an overseas location, if one exists, is reflected in the daily rate of LOA for that location.

### **What is the Environmental Factor?**

This Environmental Factor reflects the lived experience overseas in comparison with that in the UK. It recognises that the locations in which Service personnel serve around the world

are likely to have their own local environmental, economic and social characteristics. This further helps in recognising that Service personnel based overseas live and work in unique circumstances.

The following characteristics are just some of the variables considered in the Environmental Factor: climate, air pollution, language, cultural norms, access to goods and services, internet connection, isolation (Internal & External), access to news/media, recreation facilities, provision of utilities, education facilities, personal security and numerous others.

### **What is the Location Factor?**

The Location Factor is a contribution towards additional expenses such as legally required items and behaviours, banking charges and other necessary costs that are specific to the overseas location. Examples include European countries that legally restrict the washing of cars at home or costs associated with applying for a Resident ID Card in certain locations, neither of which are legal requirements in the UK.

## **FURTHER INFORMATION**

For more information please visit:

- [GOV.UK page](#)
- [OPVP Directed Letter](#)
- [Defnet page](#)
- [Link to video](#) (to be viewed on a non-MODnet device)