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Local Overseas Allowance (LOA) Overview

Purpose of LOA

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.

Reason for LOA change

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.

Approval for the 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.

The new LOA methodology

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 will become irrelevant for the purposes of LOA as all Service personnel will have their LOA calculated using the same methodology from 1 July 2021.

How LOA will change

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 the overseas private vehicle and respite (travel and accommodation) costs of Service personnel in receipt of LOA.

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:

- Currently, LOA comprises two different methodologies for calculating the allowance. 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 sourced 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.

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 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 could 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.

All 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.

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.

The changes will affect all personnel entitled to LOA on permanent assignment, temporary duty, as Seagoers, or on Exercise from 1 July 2021.

Defence Attachés and their support staff

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.

Treatment of Living-In/Living-Out under the new construct

The current methodology for unaccompanied rates of LOA 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 (FOFLOA in SSLOA).

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.

How the transition will work

The new rates of LOA will be available from June; unfortunately, 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 will be published on Defnet by early Summer 2021.

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.

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

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 no more than 25% of the *difference* between the current and new rate. However, some locations may see an immediate decrease 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 system.

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

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 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 a Service person is assigned increases, then they 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 Service personnel are stationed, then their rate of LOA will 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.

Non-permanent Assignment Types

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.

Overview of the Daily Rate elements

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

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.

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.

The Location Factor

The Location Factor is a contribution towards additional expenses such as legally required items 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. The Location Factor will also include a contribution to the cost of certain items associated with running a vehicle, e.g., warning triangle for breakdowns.

Split Net Pay

Split Net Pay will still be available to use on JPA. From 1 July 2021, the transfer of funds to overseas bank accounts will be conducted at the General Accounting Rate (GAR), for Service personnel and Civil Servants. The GAR replaces the current Forces Fixed Rate (FFR) as it is more responsive to exchange rate fluctuations. As the GAR is adjusted monthly, 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).

If Split Net Pay does not work at a particular duty station then Service personnel may reclaim the cost of the transaction as well as the difference between the exchange rate received and the MOD GAR, for one transfer (of up to 100% of the Service person's salary) each month. During the arrival and departure periods ('about 6 weeks') Service personnel will be able to claim all reasonable exchange costs until an active overseas bank account is setup. Once

the overseas bank account is established, Service personnel are authorised to claim the costs for a single transfer of funds per month.

The Overseas Private Vehicle Provision (OPVP)

Available from 1 April 2021, the OPVP will assist 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.

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.

OPVP Rate

The rate of OPVP is capped at £975. Depending on the circumstances of the Service person, OPVP can be claimed on assignment into **and**, with effect from 1 July, out of the overseas location. This means that in some cases Service personnel will be able to claim up to a total of circa £1950 (e.g. £975 into the overseas location and £975 out of the overseas location). Service personnel returning from an overseas assignment cannot claim OPVP until 1 July.

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 OPVP replaces the current vehicle contribution (Car Buy/Sell), currently paid as a part of the MSLOA daily rate, however, it will be available to all Service personnel in receipt of LOA.

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.

Applying for OPVP

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).

The transfer to OPVP will be implemented on 1 April 2021, before the new rates of LOA are introduced on 1 July 2021. Therefore, those due to be assigned overseas from 1 April 2021 can utilise the new OPVP thus allowing them to receive the contribution prior to their actual posting date.

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.

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 2nd vehicle.

Transitional arrangements are in place for qualifying personnel currently in receipt of MSLOA. For more information regard OPVP policy and transitional arrangements, please read the [OPVP Directed Letter](#).

Overview of the Respite Provision

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 provision currently included within MSLOA commonly referred to as 'Bett Nights' but will be available to all Service personnel in receipt of LOA.

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

FURTHER INFORMATION

For more information please visit:

- [GOV.UK page](#)
- [OPVP Directed Letter](#)
- [Defnet page](#)
- [Link to video](#)
- [OPVP DEFNET page](#)