

## EXPLANATION OF LOA

1. Local Overseas Allowance (LOA) is a non-taxable allowance assessed separately for each overseas country. The amounts received by personnel vary according to rank and personal status category. LOA recognises the amount by which average essential expenditure on day-to-day living in a particular overseas location differs from that in the UK, taking into account the differences in the local lifestyle, and aims to contribute towards the necessary **additional costs** of day-to-day living when service personnel (SP) are required to serve overseas. LOA is paid as an **addition** to basic pay and is paid in Pounds Sterling. LOA is not an inducement for service abroad, a reward either for service in adverse conditions or compensation for separation and turbulence. It is not designed to fund an improved lifestyle overseas, to make allowance for any representational responsibilities or to assist with the purchase of consumer items. Equally, LOA does not take into account loss of spouses' earnings or reflect the precise circumstances of particular individuals. It does not cover additional cost of items which are deemed personal choice, for instance owning Pets, or taking part in a particular sporting activity – eg member of a Golf club / Horse riding club.

## THE LOA PROCESS

2. Every 4 years the Defence Analytical Services Agency (DASA) carry out a survey of thousands of GB-based Service personnel to determine the UK expenditure and lifestyles of the **marker** ranks. They are Army Corporal and Captain (and their RN & RAF equivalents), both single and married accompanied. DASA Survey indicates that:

- The average Service person is a Male Driver.
- If Accompanied has one 4/5 year old child and his main areas of spend are the cost of Running a Car and Food at Home.
- If Unaccompanied his main areas of spend are the cost of Running a Car, Drinks Out and Meals Out.

Conventions are established for each 29 areas of spend to reflect the average lifestyle and Standards are agreed to show how the overseas spend is to be determined. Reviews are conducted in each area based on conventions, and standards for those areas are then set. It is against these standards that successive updates are conducted. It takes around 3 years to Review every LOA Main Station worldwide. Pricing exercises are conducted in the UK for the areas of spend, three times per year. It is against this that the costs of the same or similar goods and services overseas are compared.

## 29 AREAS OF SPEND for 2005 LOA Cycle

Car Running Costs	Household Cleaning Materials	Newspapers & Magazines
Public Transport	Toiletries	TV & Video
Clothing	Drinks at Home	Pre-recorded Music
Laundry	Drinks Out	Sports & Hobbies
Dry Cleaning	Drinks in Mess	Food in Mess
Stationery & Postage	Meals Out	Hairdressing
Telecommunications	Cinema & Spectator Sport	Baby-sitting
Food at Home	Mess Functions	Toys
Cigarettes	Home Entertainment	Leave Accommodation
Bank Charges #	Domestic Assistance #	

- # Overseas only
- The goods and services that are covered by LOA "Areas of Spend".
- The items marked with a hash sign for "Bank Charges" and "Domestic Assistance" are areas of spend where costs are only incurred overseas.

3. **LOA Review Process.** A complete review of LOA is undertaken every 4 years with the process involving a six stage process:

- Management Questionnaire.** A Management Questionnaire is completed by the Command with details of local conditions, general lifestyle issues and pricing sources.
- Personal questionnaire.** Personal Questionnaires are completed by a sample of individuals to show local lifestyle.
- Command Presentation.** Command presentations are given to the LOA Review Team at the start of the review, which supplements the information in the Management Questionnaire, and highlights any changes which may impact on existing LOA Standards.
- Interview Groups.** Interview groups are held which contain informal discussions between the LOA Review Team and a sample of "marker" personnel, to supplement the information given in the Management and Personal Questionnaires.
- Pricing Exercise.** Pricing exercises are conducted by the LOA Review Team to determine local prices and appropriate pricing sources.
- Negotiations.** Negotiations are conducted in the UK within the LOA Review Team to agree revised LOA Standards.
- Result.** The results are promulgation of the revised rates of LOA as a result of the findings and negotiations.

## UK STANDARD ITEMS

- Stationery & Postage
- Public Transport
- Dry Cleaning
- Food at Home
- Cigarettes
- Drinks at Home
- Drinks Out
- Drinks in Mess
- Meals Out
- Cinema/Spectator Sport
- Mess Functions
- Home Entertainment
- Newspapers/Magazines
- Pre-recorded Music
- Sports and Hobbies (Extra in Isolated Units only)
- Hairdressing
- Toys

### 17 Items

- A large number of the areas of spend are based on what is known as the “UK standard” which is these 17 items. The consumption of these products or services is considered to be the same overseas as it is in UK, so a straight comparison is made between the overseas cost and the cost in the UK. These are the “UK Standard” in Germany.

## HOW THE UK STANDARD INDEX WORKS

### Drinks at Home

Item	Weight	UK Cost £	Overseas Cost (Local)	Index	Marker Rank	
					UK Spend £ pw	Overseas Spend £ pw
Canned Beer	1 litre	1.80	1.20	78	10.00	7.80
Sherry	250ml	2.20	2.40			
Gin	87.5ml	1.70	1.90			
Tonic Water	1.5 litre	2.30	1.80			
<b>Total</b>		<b>8.00</b>	<b>7.30</b>			
<b>Total £ @ FFR 1.17</b>		<b>8.00</b>	<b>6.24</b>			

**7.30 DIVIDED BY FFR DIVIDED BY £8.00 X 100 TO PRODUCE THE INDEX**

- This is an example of how we compare prices and produce an index for UK Standard items.

- This screen represents a simplified extract from the spreadsheet used to calculate LOA or “The Budget” as we call it.
  - **Weight.** The proportion of each element making up the index.
  - **UK Cost.** The cost of the item in the UK based on most recent round of UK pricing.
  - **Overseas Cost.** The cost of the same or similar item in the overseas location in local currency.
  - **Index.** This is the overseas cost converted to Sterling at the FFR, divided by the UK cost and then multiplied by 100. An index of 100 would indicate parity of the overseas cost with that in the UK.
  - **UK Spend.** This figure represents the weekly spend on Drinks at Home incurred by a “marker”. N.B. – It should be remembered that this figure dates back to the last UK survey and has been revised annually by the Retail Price Index to bring it up to current levels.
  - **Overseas Spend.** The up rated UK Spend multiplied by the index divided by 100.

## STATIONERY & POSTAGE

- UK Standard
  - BFPO system for letters and parcels
  - Isolated Units – German Post Office
- Prices for stationery from McPaper

- **Stationery & Postage** covers writing paper, envelopes greetings cards etc and associated postage charges. Letters, cards and parcels are assumed to go through BFPO and the Isolated Units use the German Postal System.

## FOOD AT HOME

- UK Standard
  - UK prices sourced from Tesco
  - No account taken of short period special offers in UK or overseas
- Overseas Prices from:
  - NAAFI JHQ,
  - Real Supermarket, MG
  - Kaisers, MG

- For Food at Home, the index is established by the comparison of a 'basket' of food from Tesco and the price of a similar basket taken from local stores established during the Review, Special Offers are ignored both in UK and Overseas. Furthermore the individual is assumed to make use of a Tesco Clubcard in the UK, thereby reducing the UK spend further.

## DRINKS AT HOME

- UK Standard
  - Beer
  - Sherry & Gin
  - Tonic Water
- Prices from NAAFI

- Sherry is chosen rather than wine because it is easier to match. We can normally find Harveys Bristol Cream overseas.

## DRINKS OUT

- UK Standard

- Beer
- G&T
- Whisky
- Wine
- Coke



- Prices from:

- Café Cannapé , Altermarkt 42, MG
- The Alma, Altermarkt 48, MG

## MEALS OUT

- UK Standard

- Snack
- Steak Meal
- Celebration Meal

- Prices from MacDonalds,
- La Pampa, Argentinian Steak House
- Hotel Restaurant Molzmuhle

- You don't have to eat at McDonalds but we can find them throughout the world.
- The Harvester Restaurant is used for pricing the Steak meal in UK

## HOME ENTERTAINMENT

- UK Standard
  - Food at Home
  - Drinks at Home

- Like Mess Functions, Home Entertainment is also assessed on a worldwide standard but in this case by combining the indices for “Food at Home” and “Drinks in Home” in varying proportions for Unaccompanied and Accompanied personnel.
  - Unaccompanied: 50% Food at Home+ 50% Drinks
  - Accompanied: 65% Food at Home+ 35% Drinks

## NEWSPAPERS & MAGAZINES

- UK Standard
  - UK Daily Papers
  - UK Sunday Papers
  - UK Magazines
  - Comics
- Prices from NAAFI

- If it cost 10 Euros for the Sunday Times then that is the price we would take.

## UK STANDARD ITEMS (Adjusted for Local Conditions)

- Car Running Costs (see separate slide)
- Clothing (+ 10%)
- Laundry (+ Extras)
- Household Cleaning (Accom(+5%)  
Materials
- Toiletries (+ 5%)
- Television & Video (+ Extras)
- Sports/Hobbies (+ Extras for Isolated Units)

- As stated previously we have UK Standard Items, however a number of areas are adjusted to take account of local conditions. Usually related in some way to the climate or distance from the main unit. These are adjusted UK Standard items in Germany.

### HOW THE ADJUSTED UK STANDARD INDEX WORKS

#### Toiletries

Item	Weight	UK Cost £	Overseas Cost (e)	Index	Marker Rank	
					UK Spend £ pw	Overseas Spend £ pw
Toothpaste	100ml	2.09	1.31	90	£10.00	@ Index of gives 90: £9.00  With additional 15% applied:  <b>£10.35</b>
Soap	250g	.81	1.88			
Shampoo	200ml	1.29	1.70			
Deodorant	150ml	4.74	2.90			
Moisturiser	100ml	.75	2.00			
Cotton Wool	100g	1.00	1.45			
<b>Total</b>		<b>10.68</b>	<b>11.24</b>			
<b>Total £ @ FFR 1.17</b>		<b>£10.68</b>	<b>£9.61</b>			

- Weight.** The proportion of each element making up the index.
- UK Cost.** The cost of the item in the UK based on most recent round of UK pricing.
- Overseas Cost.** The cost of the same or similar item in the overseas location in local currency.

- **Index.** This is the overseas cost converted to Sterling at the FFR, divided by the UK cost and then multiplied by 100. An index of 100 would indicate parity of the overseas cost with that in the UK.
- **UK Spend.** This figure represents the weekly spend on toiletries incurred by a “marker”. N.B. – It should be remembered that this figure dates back to the last UK survey and has been revised annually by the Retail Price Index to bring it up to current levels.
- **Overseas Spend.** The up rated UK Spend multiplied by the index divided by 100 plus/minus the adjustment. In this case, £10 weekly spend multiplied by 90 divided by 100 gives £9.00, plus an extra 15% giving a total Overseas Spend of £10.35 per week. Therefore a total of £1.35 per week of LOA is generated.

## CAR RUNNING COSTS

- Running costs index
  - UK “marker” car versus overseas “marker” car
  - Adjusted for difference in ownership & mileage
- Extra servicing wear & tear, and petrol
- Legal Requirements
- Buy/Sell allowance over average tour length of 33 months for all personnel

- The UK “marker” car is a 4 year old Ford Mondeo 1.8 LX (5 door hatchback, manual transmission, petrol).
- Overseas cost index established by detailed comparison of motoring costs including Insurance, Road Tax, MOT, Petrol, Oil, Servicing, & Replacement Parts. The indexation is subsequently adjusted for differences in ownership levels and average annual mileage in UK and the overseas country.
- Additional payments are made for local legal requirements, climatic conditions (air conditioning / snow chains), additional wear & tear due to local road conditions, and any additional mileage over UK levels.
- In Germany:
  - Recognition of extra service due to higher mileage undertaken in Germany. (except SOR)
  - A set of winter tyres per tour

- Warning triangle, spare bulbs and fuses, fluorescent vest, first aid kit and petrol can.
- Cost of commercial car washes to reflect German legal restrictions on washing private cars.
- One third extra petrol costs for 2 months per annum as a result of running car air conditioning.
- **Buy/Sell Allowance.** The buy/sell allowance is paid to take account of the cost of leaving and returning to the UK market. It is based on the difference between the UK retail and trade prices – taken from the “Glass’s Guide” for the marker car. Payment is spread over the average tour length for each personnel category.
- **Weekly buy Sell:**
  - Single Other Rank (SOR) £7.57
  - Single Officer (SO) £8.70
  - Accompanied Other Rank (AOR) £8.32
  - Accompanied Officer (AO) £11.35
- **This is another reason travel by surface means on assignment is not funded.**

## TOILETRIES

- UK Standard plus 5%
  - Increased use of moisturisers and sun protection over UK
  - Prices from NAAFI, Real

- **Toiletries.** For toiletries, the cost is based on the UK standard, plus 5% to take account of increased use of moisturisers and sun protection over UK. Toiletries include – Toothpaste, Soap, Shampoo, Deodorant, Moisturisers, Cotton wool & Paper products.

## CLOTHING

- UK Standard plus 10%
- The Index takes account of:
  - Additional expenditure on warm clothes
- Prices are taken from H&M and Klauser Shoes

- **Clothing.** Provision based on the UK standard, plus 10% to take account of more severe winters in Central Europe.
- The index assumes that 55% of their clothing comes from the UK ,10% catalogue, 25% local shops and 10% NAAFI. Prices are taken from H&M and Klauser Shoes.

## LAUNDRY

- UK Standard plus Extras
- Based on prices in NAAFI and Real

- **Unaccompanied** – Contribution towards the various laundry schemes.
- **Accompanied** – Cost of local purchase of washing machine (amortised over 3 years).

## SPORTS/HOBBIES

- UK Standard:
- Prices in MG from:
  - Footlocker
  - Sports Scheck
  - Saturn
  - Schossau.
  - NAAFI JHQ
- For Isolated Units Only, a contribution towards access to sports facilities:
  - UnAcc - €100.
  - Acc - €200.
  - Each accompanying child - €50.

- **Sports/Hobbies.** For Sports/Hobbies, the cost is based on UK standard, plus an allowance as stated. Indexed on a selection of sports & hobbies equipment – eg Tennis Rackets, Badminton Rackets, Tennis Balls, Trainers, Cameras and Computer Media.
- Provision for Isolated Units given in recognition of limited Sports facilities.

## TV/VIDEO/DVD

- UK Standard plus:
  - Extra provision towards monthly personal contribution to cost of satellite subscription providing access to a reasonable amount of English Language television.
  - Hire of two DVDs per month.

## HOUSEHOLD CLEANING MATERIALS

- UK Standard plus 5%
  - For Accompanied personnel, reflecting fact that majority of SFA in Germany are larger than comparable types in UK and have an attic and cellar which occupants are required to keep in good order.
- Prices from:
  - NAAFI, JHQ
  - Real Supermarket, MG

- Covers Disinfectant, Cleaning Agents & Paper Products.

## OTHER AREAS OF SPEND RECOGNISED

- Telecommunications
- Babysitting
- Bank Charges
- Leave Accommodation breaks (Bett Nights)
- Food in Mess

- **Telecommunications.** The allowance for telephone calls is based on a Worldwide Standard. i.e everybody in the world gets the same amount of time. An Allowance is made for personal and business calls from a private phone to the UK based on: 20 minutes per week for all at peak rates. In addition, all personnel are assumed to spend to the same amount as in UK on line rental, local calls, mobile phones, fax machines and the internet.
- **Leave Accommodation. The Independent Review 1995 – or Bett as it is sometimes known** - accepted that personnel need breaks from the Service environment and the UK Survey results confirm that this remains an important element of the UK

lifestyle for all categories. Bett acknowledged that personnel overseas have a reduced opportunity to take breaks/holidays cheaply with family and friends. Payment is made to reflect a reasonable number of short breaks in overseas locations based on modest standards of accommodation and food at typical leave destinations.

- **The standard for personnel in Germany is:**
  - UnAcc – £2090 (SOR), £2900 (SO), £2830 (AOR), £3520 (AO) annually In Berlin or the Black Forest.
- **Bank Charges.** Contribution towards monthly charges incurred. Obtained from Sparkasse, JHQ. - Bank - €7 /month .
- **Food in Mess.** Payment is based on the average cost and number of casual meals taken, set against average mess charges established in UK Survey.

**Example LOA RATE CALCULATION**

	SOR Expenditure		MO Expenditure	
	UK	O'Seas	UK	O'Seas
Total Weekly Spend	300.00	282.00	359.00	389.00
Deduct UK Expenditure		-300.00		-359.00
Basic Weekly LOA		-18.00		30.00
Basic Daily LOA		-2.60		4.30
Plus Daily Extras (Non Factored)		4.56		5.81
Plus Daily Extras (Factored)		N/a		N/a
Total Daily LOA		<b>1.96</b>		<b>10.11</b>

- This slide shows what happens when all of the data has been input into the model and shows the total UK and Overseas spends and the LOA generated.
- The Extras are Non Factored Extras – Car Washes, Bank Charges.
- Factored Extras – reimbursement for items that may depend upon an individuals rank or spending power.

## FACTOR PLAN

### Single and Unaccompanied Personnel

ARMY	Full Rates	Temporary Rates	Field Conditions Rates	Residual Rates
Lieutenant General and above	1.675	.75	.50	.81
Major General	1.65	.75	.50	.81
Brigadier	1.625	.75	.50	.81
Colonel	1.60	.75	.50	.81
Lieutenant Colonel	1.40	.75	.50	.81
Major	1.20	.75	.50	.81
<b>Captain</b>	<b>1.00</b>	<b>.75</b>	<b>.50</b>	<b>.81</b>
Lieutenant and Below	.80	.75	.50	.81
Warrant Officer 1	<b>£13.00</b>	<b>£9.75</b>	<b>£6.50</b>	<b>£10.53</b>
Warrant Officer 2 Staff Sergeant	1.20	.75	.50	.81
Sergeant	1.10	.75	.50	.81
<b>Corporal</b>	<b>£10.00</b>	<b>£7.50</b>	<b>£5.00</b>	<b>£8.10</b>
Below Corporal	.90	.75	.50	.81
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>

**A - Extrapolated from marker points using factors applied to basic LOA. Appropriate Extras then added.**  
**B, C and D – Factor applied to all up Full Rate**

- A - extrapolated from marker points using factors applied to basic then add appropriate extras.
- B, C and D – factor applied to all up Full RateA - extrapolated from marker points using factors applied to basic then add appropriate extras.
- B, C and D – factor applied to all up Full Rate. Residual Rate (D) under JPA became .81. Therefore:
  - Corporal at 1.00 = £10.00
  - WO1 at 1.30 = £13.00
  - WO1 Temp Rate at 75% of Full Rate £9.75
  - Corporal Field Conditions at 50% of Full Rate =£5.00
  - Corporal at Residual Rate of .81% of Full Rate

## FACTOR PLAN Accompanied Personnel

ARMY	Number of Accompanying Children				Additional Child	Absence Deduction
	NIL	1	2	3		
Lieutenant General and above	.90	1.975	1.07	1.11	.04	.35
Major General	.90	1.95	1.07	1.11	.04	.35
Brigadier	.90	1.925	1.07	1.11	.04	.35
Colonel	.90	1.90	1.07	1.11	.04	.35
Lieutenant Colonel	£14.40	£16.00	1.07	£17.76	.04	.35
Major	.90	1.30	1.07	1.11	.04	.35
Captain	£9.00	£10.00	1.07	1.11	.04	.35
Lieutenant and Below	.90	.70	1.07	1.11	.04	.35
Warrant Officer 1	.90	1.60	1.07	1.11	.04	.35
Warrant Officer 2 & Staff Sergeant	.90	1.40	1.07	1.11	.04	.35
Sergeant	.90	1.20	1.07	1.11	.04	.35
Corporal	.90	1.00	1.07	1.11	.04	.35
Below Corporal	.90	.80	1.07	1.11	.04	.35
	E	F	G	H	I	J

F – Extrapolated from marker points using factors applied to basic rate, appropriate extras then added.

E, G, H and I – factor applied to M+1 basic rate, appropriate extras then added.

J – Factor applied to all up M+1 rate

- Similarly, this slide shows the Factor Plan for Accompanied Personnel. Here the marker ranks LOA at Accompanied +1 child (or M+1) are factored up and down, not only according to rank but also in accordance with the number of children accompanying them at the LOA area. The Accompanied+1 at Capt and Cpl rank have a factor of 1. If the Capt receives £10 LOA the Accompanied+1 Lt Col with a factor of 1.6 gets £16.00 and the Accompanied+3 Lt Col on an additional factor of 1.11 gets £17.76.
- Conversely, the Accompanied+0 Capt and Lt Col on a factor of 0.9 get £9.00 and £14.40 respectively.
- **That's how the Factor Plan works:**
  - Captain +1 at 1.00 = £10.00
  - Lt Col +1 at 1.60 = £16.00
  - Lt Col + 3 at 1.11 = £17.76
  - Lt Col and Captain with no children will get 90% of Full Rate
  - Therefore £14.40 and £9.00 respectively.

## AN EXAMPLE OF THE EFFECT OF AN FFR CHANGE

Assumptions:	Weekly UK Spend (AO)	= £ 330
	Weekly Overseas Spend	= € 553
	plus Sterling items	= £ 60

OLD RATE		NEW RATE	
Overseas Spend	553	Overseas Spend	553
@FFR €1.17 = £	<b>473</b>	@FFR €1.07 = £	<b>517</b>
Plus Sterling items	<u>60</u>	Plus Sterling items	<u>60</u>
	533		577
Less UK Spend	<u>330</u>	Less UK Spend	<u>330</u>
Weekly LOA	203	Weekly LOA	247
Daily LOA	29.00	Daily LOA	35.00
Plus Extras	<u>1.80</u>	Plus Extras	<u>1.97</u>
<b>Total Daily LOA</b>	<b>£30.80</b>	<b>Total Daily LOA</b>	<b>£36.97</b>

- This slide demonstrates how the FFR mechanism maintains the same overseas spend (in local currency) after the change. Another element of the LOA process that you will no doubt have heard of is the FFR. Because, LOA is calculated in the local currency and paid in sterling, it is subject to currency fluctuations. The FFR is the mechanism by which some degree of stability can be achieved in rates of LOA.
- In SPVA we monitor the FFRs on a daily basis and conduct a check on the third Monday of each month. If the currency has deviated by +/- 3% from the FFR over a period of 13 weeks then the FFR will change. The same applies to a variation of +/- 5% over 4 weeks.
- Between our visits here we have assumed that the local cost of the goods and services that we priced remains the same. When the FFR goes down as in the example, you need more sterling to buy the same level of goods and services as you did prior to the change and your LOA consequently goes up. Conversely, when the FFR goes up, you need less sterling for the same goods and services so your LOA goes down.
- Sterling Items refers to those items within the LOA calculations that are always in Sterling, such as UK Spend on Telephones, the Buy/Sell Allowance for a Car, UK Holiday expenditure.

## Future Updates

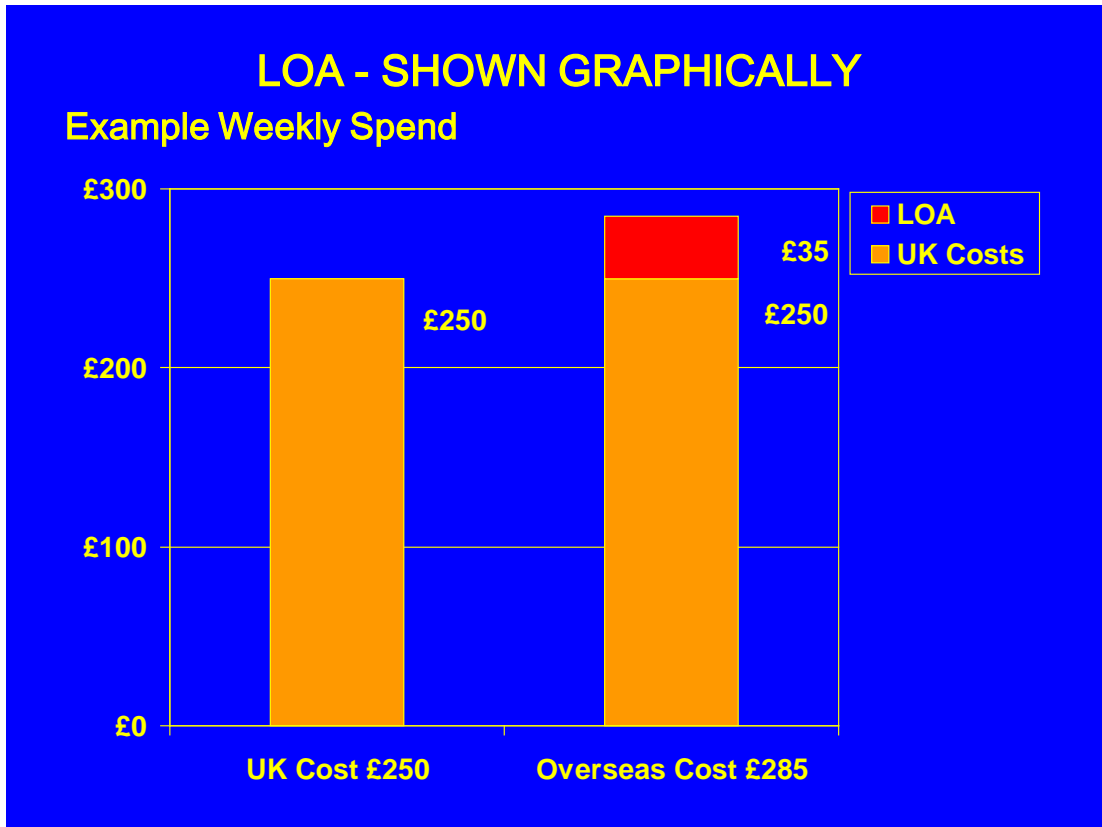
- LOA Updates occur at intervals. At these intervals we will:
  - Check local price movements for each of the expenditure Areas.
  - Take account of any key changes – e.g. loss of access to duty free purchases.
  - Calculate and issue new LOA rates agreed with the Service Rep – usually within 2 months of the visit – but occasionally longer if we are waiting for key pricing information.

## LIVING OUT SUPPLEMENT (LOS)

- Includes
  - Food
  - Household Cleaning Materials
  - Laundry
    - Telephone Line Rental
    - Handset purchase
    - Satellite TV installation and subscription
    - Domestic Assistance

- **LOS** Food element is 65% of average accompanied markers spend on Food at Home to allow some meals to be taken at commercial establishments.
  - HCM is 40% of married markers spend on HCM.
  - Laundry is based on laundering cost of a double sheet.
  - Telephone Line rental.

- Purchase of telephone handset.
- DA: - Lt Col and above 6 hours at -£6.51 per day
- - Below Lt Col 4 hours at - £3.96 per day
- - OR's 3 hours at - £2.97 per day.



This table shows how LOA provides towards the additional cost of living in each overseas area.