

## CHANGES TO LOCAL OVERSEAS ALLOWANCE (LOA)

### FOREWORD BY GOC UKSC – Major General N J Caplin

"The timing of this announcement may give the impression that this LOA adjustment is a cost cutting measure, **this is not the case**. It is, in fact, part of the routine LOA update mechanism which happens annually. The reasons for this are clearly outlined below, and I have directed that everyone should be aware of the detail as soon as my J1 staff were told"

### WHAT IS LOA?

Local Overseas Allowance (LOA) is a non-taxable allowance assessed separately for each overseas country. The amount received by personnel varies according to rank and personal status. LOA recognises if the average essential expenditure on a day-to-day basis living in a particular overseas location differs from that in the UK. It takes into account the differences in the local lifestyle, and aims to contribute towards the necessary **additional costs** of day-to-day living. LOA is paid as an **addition** to basic pay and is paid in Pounds Sterling.

### WHAT LOA IS NOT

LOA is not a reward for **Service abroad** or Service in adverse conditions or compensation for separation, turbulence or the lack of a **spouses income**. It is also not designed to fund an improved lifestyle overseas or to assist with the purchase of consumer items like **cars** or furniture.

### HOW LOA IS CALCULATED

Comprehensive LOA price updates take place every year where UK prices are compared to equivalent prices in Germany and LOA rates are set to reflect the difference. This involves common items from a typical shopping basket being priced up in Germany; the sum of these goods is then subtracted from the amount it would have cost to buy the same products in the UK. As a result of this comparison it becomes clear how much extra or less expenditure is needed to maintain an **equal standard of living** compared to that of the UK. The categories taken into account when calculating LOA include food and drink purchased in restaurants, shops and service establishments, cleaning materials, hobbies and entertainment and many other miscellaneous expenses.

## **FORCES FIXED RATE OF EXCHANGE (FFR) FLUCTUATIONS**

The increase in the strength of Pound against the Euro triggered an increase to the Euro/Pound FFR on 1 July, which resulted in an automatic **decrease** to LOA. The reverse of this happened throughout 2009 when LOA was **increased substantially** to reflect the low value of the Pound against the Euro. This process of automatic adjustment to LOA ensures that the amount of Euros received into **German bank accounts** remains stable during fluctuations in exchange rates and subsequent FFR changes. For example if an individual had £1000 of salary paid into their German bank account in June this would have been converted to €1100. However, the same £1000 from salary paid into a German account in August will have been converted to €1200. If however individuals choose not to have a German bank account and have all their salary remaining in the UK, they will not benefit from the Forces Fixed Rate of exchange and will be at the mercy of the international exchange rates and bank charges.

## **CHANGES TO LOA RATES**

The latest annual LOA pricing update for Germany was conducted in June 2010 in Paderborn Garrison and will result in a decrease in LOA rates for all personnel. The revised rates, to be implement with effect of 1 Dec 10, will see reductions across all ranks.

## **WHAT HAS CHANGED**

Analysis of the data gathered during this years pricing exercise has shown that, across the full range of goods and services upon which LOA is calculated, the cost differential between the UK and Germany has narrowed considerably since the last LOA update in Jun 09. Of particular note are the following:

**Car Costs.** Car usage was cost neutral at the last update conducted in 2009; the 2010 update has shown that car usage costs less in Germany. The cost of fuel accounts for 50% of the calculation in this area of spend and of note over the past year fuel prices have risen by 20% in UK but remained relatively stable in Germany.

**Food at Home Costs.** Food at home costs in Germany have also seen significant

reductions since the last LOA Update.

**Meals Out.** The Meals Out element represents between 9-13% of the overall value of LOA.

The cost of meals out has been affected by a 20% reduction of the cost of 3 meals.

### **IMPACT ON SERVICE PERSONNEL**

The latest LOA reductions will not be implemented until 1 Dec 10 however personnel will not notice any effect until pay day on 31 Dec 10. This is to allow time for personal finances to be adjusted and any necessary allotments to be adjusted.

### **LOA INFORMATION**

The full and detailed results of the LOA update have been sent to the Chain of Command where they are available for those who would like to see more detail.

### **LOA TABLE EXPLANATION**

The table shows the Revised Rates in black as at 1 Dec 10, with the figures in Red showing the decrease daily amount respectively. The Existing Rates are shown in brackets in black. The Official Rates are held by Unit Administration Offices and the figures in these tables are to be used as a guide only; they are also available on [www.bfgnet.de](http://www.bfgnet.de) and the SPVA Website.

**LOCAL OVERSEAS ALLOWANCE (LOA)**  
**Revised Rates with effect from 1<sup>st</sup> December 2010**

GERMANY (MAIN)	REVISED RATES	ACCOMPANIED					CHILD ADD
		S/UNACC	LOS LOA	A+0	A+1	A+2	
LT GEN & ABOVE (Existing)	17.72 (27.52)	33.17 (44.94)	22.93 (32.82)	25.22 (36.41)	26.86 (39.00)	27.85 (40.60)	.99 (1.60)
Difference	-9.80	-11.77	-9.89	-11.19	-12.14	-12.75	-.61
MAJ GEN (Existing)	17.53 (27.15)	32.98 (44.57)	22.68 (32.44)	24.94 (35.99)	26.56 (38.55)	27.54 (40.14)	.98 (1.58)
Difference	-9.62	-11.59	-9.76	-11.05	-11.99	-12.60	-.60
BRIG (Existing)	17.34 (26.79)	32.79 (44.21)	22.43 (32.06)	24.67 (35.57)	26.27 (38.11)	27.24 (39.67)	.97 (1.56)
Difference	-9.45	-11.42	-9.63	-10.90	-11.84	-12.43	-.59
COL (Existing)	17.15 (26.42)	32.60 (43.84)	22.18 (31.69)	24.39 (35.15)	25.97 (37.66)	26.93 (39.20)	.96 (1.55)
Difference	-9.27	-11.24	-9.51	-10.76	-11.69	-12.27	-.59
LT COL (Existing)	15.63 (23.49)	31.08 (40.91)	19.21 (27.15)	21.09 (30.11)	22.44 (32.26)	23.26 (33.61)	.82 (1.35)
Difference	-7.86	-9.83	-7.94	-9.02	-9.82	-10.35	-.53
MAJOR (Existing)	14.11 (20.56)	29.56 (37.98)	16.25 (22.61)	17.80 (25.06)	18.92 (26.86)	19.61 (28.00)	.69 (1.14)
Difference	-6.45	-8.42	-6.36	-7.26	-7.94	-8.39	-.45
CAPT (Existing)	12.59 (17.63)	28.04 (35.05)	13.28 (18.07)	14.50 (20.02)	15.39 (21.47)	15.95 (22.41)	.56 (.94)
Difference	-5.04	-7.01	-4.79	-5.52	-6.08	-6.46	-.38
LIEUT & BELOW (Existing)	11.07 (14.70)	26.52 (32.12)	10.31 (13.53)	11.20 (14.98)	11.86 (16.07)	12.29 (16.81)	.43 (.74)
Difference	-3.63	-5.60	-3.22	-3.78	-4.21	-4.52	-.31
WO1 (Existing)	12.41 (15.37)	27.86 (32.78)	20.88 (27.09)	22.94 (30.03)	24.42 (32.17)	25.31 (33.51)	.89 (1.34)
Difference	-2.96	-4.92	-6.21	-7.09	-7.75	-8.20	-.45
WO2/SSGT (Existing)	11.82 (14.40)	27.27 (31.81)	18.71 (24.08)	20.52 (26.69)	21.83 (28.60)	22.62 (29.81)	.80 (1.21)
Difference	-2.58	-4.54	-5.37	-6.17	-6.77	-7.19	-.41
SGT (Existing)	11.23 (13.42)	26.68 (30.83)	16.53 (21.06)	18.10 (23.34)	19.24 (25.01)	19.94 (26.09)	.70 (1.07)
Difference	-2.19	-4.15	-4.53	-5.24	-5.77	-6.15	-.37
CPL (Existing)	10.64 (12.45)	26.09 (29.86)	14.35 (18.06)	15.68 (20.00)	16.65 (21.44)	17.25 (22.38)	.60 (.94)
Difference	-1.81	-3.77	-3.71	-4.32	-4.79	-5.13	-.34
BELOW CPL (Existing)	10.05 (11.48)	25.50 (28.89)	12.17 (15.05)	13.26 (16.66)	14.06 (17.87)	14.56 (18.67)	.51 (.81)
Difference	-1.43	-3.39	-2.88	-3.40	-3.81	-4.11	-.30

**LOCAL OVERSEAS ALLOWANCE (LOA)**  
**Revised Rates with effect from 1<sup>st</sup> December 2010**

GERMANY (US ZONE)	REVISED RATES						
	S/UNACC	LOS LOA	ACCOMPANIED				CHILD ADD
			A+0	A+1	A+2	A+3	
LT GEN & ABOVE (Existing)	20.90 (29.00)	36.35 (46.33)	22.58 (29.94)	24.84 (33.08)	26.46 (35.32)	27.44 (36.66)	.98 (1.34)
Difference	-8.10	-9.98	-7.36	-8.24	-8.86	-9.22	-.36
MAJ GEN (Existing)	20.68 (28.62)	36.13 (45.95)	22.34 (29.59)	24.57 (32.70)	26.17 (34.91)	27.14 (36.23)	.97 (1.32)
Difference	-7.94	-9.82	-7.25	-8.13	-8.74	-9.09	-.35
BRIG (Existing)	20.45 (28.25)	35.90 (45.58)	22.10 (29.25)	24.30 (32.32)	25.88 (34.51)	26.84 (35.81)	.96 (1.31)
Difference	-7.80	-9.68	-7.15	-8.02	-8.63	-8.97	-.35
COL (Existing)	20.23 (27.87)	35.68 (45.20)	21.85 (28.90)	24.03 (31.93)	25.59 (34.09)	26.54 (35.38)	.95 (1.29)
Difference	-7.64	-9.52	-7.05	-7.90	-8.50	-8.84	-.34
LT COL (Existing)	18.45 (24.86)	33.90 (42.19)	18.95 (24.79)	20.80 (27.36)	22.14 (29.20)	22.96 (30.31)	.82 (1.11)
Difference	-6.41	-8.29	-5.84	-6.56	-7.06	-7.35	-.29
MAJOR (Existing)	16.67 (21.85)	32.12 (39.18)	16.04 (20.67)	17.57 (22.78)	18.68 (24.30)	19.37 (25.22)	.69 (.92)
Difference	-5.18	-7.06	-4.63	-5.21	-5.62	-5.85	-.23
CAPT (Existing)	14.89 (18.84)	30.34 (36.17)	13.13 (16.54)	14.34 (18.20)	15.22 (19.40)	15.78 (20.14)	.56 (.74)
Difference	-3.95	-5.83	-3.41	-3.86	-4.18	-4.36	-.18
LIEUT & BELOW (Existing)	13.11 (15.83)	28.56 (33.16)	10.23 (12.42)	11.11 (13.62)	11.77 (14.50)	12.20 (15.05)	.43 (.56)
Difference	-2.72	-4.60	-2.19	-2.51	-2.73	-2.85	-.13
WO1 (Existing)	15.75 (17.35)	31.19 (34.67)	22.70 (26.89)	24.94 (29.67)	26.55 (31.65)	27.53 (32.84)	.98 (1.19)
Difference	-1.60	-3.48	-4.19	-4.73	-5.10	-5.31	-.21
WO2/SSGT (Existing)	14.98 (16.28)	30.42 (33.60)	20.32 (23.91)	22.30 (26.36)	23.73 (28.11)	24.60 (29.17)	.87 (1.06)
Difference	-1.30	-3.18	-3.59	-4.06	-4.38	-4.57	-.19
SGT (Existing)	14.21 (15.22)	29.65 (32.54)	17.93 (20.93)	19.65 (23.05)	20.89 (24.57)	21.65 (25.49)	.76 (.92)
Difference	-1.01	-2.89	-3.00	-3.40	-3.68	-3.84	-.16
CPL (Existing)	13.44 (14.16)	28.88 (31.48)	15.56 (17.96)	17.01 (19.74)	18.07 (21.03)	18.72 (21.82)	.66 (.79)
Difference	-.72	-2.60	-2.40	-2.73	-2.96	-3.10	-.13
BELOW CPL (Existing)	12.67 (13.10)	28.11 (30.42)	13.18 (14.98)	14.37 (16.43)	15.24 (17.49)	15.79 (18.15)	.55 (.66)
Difference	-.43	-2.31	-1.80	-2.06	-2.25	-2.36	-.11

**LOCAL OVERSEAS ALLOWANCE (LOA)**  
**Revised Rates with effect from 1<sup>st</sup> December 2010**

GERMANY ISOLATED DETACHMENTS	REVISED RATES		ACCOMPANIED				CHILD ADD
	S/UNACC	LOS LOA	A+O	A+1	A+2	A+3	
LT GEN & ABOVE <i>(Existing)</i>	19.76 (30.52)	34.35 (47.38)	23.92 (33.97)	26.32 (37.69)	28.04 (40.37)	29.07 (42.02)	1.03 (1.65)
<i>Difference</i>	-10.76	-13.03	-10.05	-11.37	-12.33	-12.95	-.62
MAJ GEN <i>(Existing)</i>	19.54 (30.11)	34.13 (46.97)	23.66 (33.59)	26.03 (37.26)	27.73 (39.91)	28.75 (41.55)	1.02 (1.63)
<i>Difference</i>	-10.57	-12.84	-9.93	-11.23	-12.18	-12.80	-.61
BRIG <i>(Existing)</i>	19.32 (29.70)	33.91 (46.56)	23.40 (33.19)	25.74 (36.82)	27.42 (39.44)	28.43 (41.06)	1.01 (1.61)
<i>Difference</i>	-10.38	-12.65	-9.79	-11.08	-12.02	-12.63	-.60
COL <i>(Existing)</i>	19.10 (29.28)	33.69 (46.14)	23.15 (32.79)	25.46 (36.38)	27.12 (38.97)	28.11 (40.57)	1.00 (1.60)
<i>Difference</i>	-10.18	-12.45	-9.64	-10.92	-11.85	-12.46	-.60
LT COL <i>(Existing)</i>	17.34 (26.00)	31.93 (42.86)	20.02 (28.09)	21.99 (31.15)	23.40 (33.38)	24.26 (34.76)	.86 (1.39)
<i>Difference</i>	-8.66	-10.93	-8.07	-9.16	-9.98	-10.50	-.53
MAJOR <i>(Existing)</i>	15.57 (22.71)	30.16 (39.57)	16.91 (23.37)	18.53 (25.91)	19.70 (27.77)	20.42 (28.95)	.72 (1.18)
<i>Difference</i>	-7.14	-9.41	-6.46	-7.38	-8.07	-8.53	-.46
CAPT <i>(Existing)</i>	13.81 (19.42)	28.40 (36.28)	13.79 (18.65)	15.06 (20.67)	15.99 (22.16)	16.57 (23.13)	.58 (.97)
<i>Difference</i>	-5.61	-7.88	-4.86	-5.61	-6.17	-6.56	-.39
LIEUT & BELOW <i>(Existing)</i>	12.05 (16.13)	26.64 (32.99)	10.67 (13.94)	11.60 (15.43)	12.29 (16.56)	12.73 (17.31)	.44 (.76)
<i>Difference</i>	-4.08	-6.35	-3.27	-3.83	-4.27	-4.58	-.32
WO1 <i>(Existing)</i>	15.39 (18.58)	29.98 (35.44)	22.78 (28.59)	25.05 (31.70)	26.67 (33.96)	27.65 (35.37)	.98 (1.41)
<i>Difference</i>	-3.19	-5.46	-5.81	-6.65	-7.29	-7.72	-.43
WO2/SSGT <i>(Existing)</i>	14.57 (17.36)	29.16 (34.22)	20.37 (25.38)	22.37 (28.14)	23.81 (30.15)	24.68 (31.41)	.87 (1.26)
<i>Difference</i>	-2.79	-5.06	-5.01	-5.77	-6.34	-6.73	-.39
SGT <i>(Existing)</i>	13.75 (16.14)	28.34 (33.00)	17.95 (22.19)	19.68 (24.59)	20.93 (26.35)	21.69 (27.47)	.76 (1.12)
<i>Difference</i>	-2.39	-4.66	-4.24	-4.91	-5.42	-5.78	-.36
CPL <i>(Existing)</i>	12.93 (14.92)	27.52 (31.78)	15.54 (18.99)	17.00 (21.04)	18.06 (22.55)	18.72 (23.53)	.66 (.98)
<i>Difference</i>	-1.99	-4.26	-3.45	-4.04	-4.49	-4.81	-.32
BELOW CPL <i>(Existing)</i>	12.11 (13.70)	26.70 (30.56)	13.13 (15.80)	14.32 (17.49)	15.19 (18.75)	15.74 (19.59)	.55 (.84)
<i>Difference</i>	-1.59	-3.86	-2.67	-3.17	-3.56	-3.85	-.29