

Steve O'Donnell
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13 February 2023

Dear Steve,

Thank you for your letter of 1 February 2023 on behalf of Unite members at the FCA. I am writing in response on behalf of our Chief Executive, Nikhil Rathi.

The 2023 pay review details recently communicated to our colleagues provide an update on the original commitments we made for this year when we set out our new employment offer ¹ in March 2022. The launch of this new employment offer followed an extensive period of consultation: 4,500 responses were received through the feedback tool, 2,200 emails sent to my HR team, 700 comments raised in meetings and over 580 questions answered on our intranet site. This was in addition to the 77 Executive Committee (ExCo) led colleague sessions and our regular engagement with the Staff Consultative Committee representatives (SCC).

In terms of finalising the 2023 pay review details I can confirm that ExCo and the People Committee of our Board looked at a wide range of information. Our decisions have been informed by benchmarking data, what we're seeing happening inside our organisation, our own experience of recruitment, the wider economic context, and the level of fee income from firms we have available to invest in our people. We have continued to listen to the views of our colleagues.

Alongside ensuring we can retain and attract the skills we need to deliver our strategy and meet our vital objectives – protecting consumers and markets and promoting competition – for the long term, another key priority is to continue to support our colleagues through the current economic challenges as much as possible. In many cases we have been able to make improvements to the 2023 pay review that go beyond the original commitments. Overall, we expect an average base salary increase in April 2023 of 6.5% across the FCA and PSR, with a guaranteed 4.5% minimum

¹ <https://www.fca.org.uk/publication/corporate/our-new-employment-offer-equality-impact-assessment.pdf>

salary increase for colleagues up to Senior Manager level with a '3' or above end of year performance rating whose new salary is below £125,000.

This builds on the separate cost of living payments we made to most colleagues in 2022/23, totalling £1,250 per employee.

I remain confident our offer continues to meet our clear commitment to our staff to provide one of the best overall employment packages of any public authority, regulator, or enforcement agency in the UK.

We published a detailed equality impact assessment ² in relation to the changes we made last year. This showed an average 7.1% base salary increase awarded from 1 April 2022 (a small number of colleagues also received further increases at the mid-year point). Crucially the impact assessment shows that our new employment offer is enabling us to make meaningful progress in narrowing gender and ethnicity pay gaps at the FCA. Continuing this progress has also been at the forefront of our considerations in the decisions we have made this year and we will publish an equality impact assessment of this year's pay outcomes by July 2023.

Our headcount on a full-time equivalent basis has grown from 3,878 at the end of March 2022 (and 3,838 at the beginning of 2022) to approximately 4,289 at the end of December 2022. 1,136 colleagues joined the FCA in 2022 with 649 voluntary leavers. This growth is part of our strategy and reflects our broadening remit. The large scale recruitment at all levels has been achieved in a highly competitive recruitment market right across the UK.

The FCA's turnover fell sharply during the period of the pandemic and then rose afterwards. Our voluntary turnover rate was 16% on a 12-month rolling basis as at 31 January 2023. In the last three months we have seen a sustained drop in the number of leavers and the leaver data we have suggests that this level looks set to continue over the next three months. If we project forward and consider this on an annualised basis this would suggest we are currently seeing attrition at a rate of around 10-12% which is broadly in line with what we saw at the FCA prior to the pandemic. We continue to retain knowledge and experience within the organisation. At the end of 2021 there were approximately 1,205 colleagues with eight or more years of service at the FCA and at the end of December 2022 the comparable figure was 1,339.

Headcount growth has continued into 2023 with headcount at end of January reaching 4,352. We expect our headcount will continue to grow with at least a further 150 new joiners expected before the end of this financial year in March 2023. We are delighted to be on track to double our headcount in our Edinburgh office and within the coming months see our newly established office in Leeds reach 100 colleagues. Furthermore,

² <https://www.fca.org.uk/publication/corporate/our-new-employment-offer-equality-impact-assessment.pdf>

I am particularly pleased that the changes we introduced continue to encourage greater internal mobility between Divisions and roles. This has resulted in nearly 750 internal promotions in 2022 and salary rises resulting from promotions are not typically included in the average base pay increases figures quoted above.

We wrote in December with further details on vacancies and recruitment to the House of Commons' Treasury Committee, and the letter was published on Parliament's website. I have enclosed that letter for your information.

Looking ahead, we expect to have a clear agreement on how we will involve the enhanced Staff Consultative Committee, including FDA and Unite staff representatives on these matters in time for next year's pay review. I look forward to working together jointly to continue to ensure we retain and attract the people with the skills and values we need to deliver our strategy over the long term, protecting consumers and ensuring market integrity.

For reasons of transparency, we will share this reply with colleagues and place it on our website.

Yours sincerely,

Siobhán Sheridan
Chief People Officer
Financial Conduct Authority

Enclosed

Letter to the Treasury Select Committee – 14 December 2022 -
<https://committees.parliament.uk/publications/33396/documents/181517/default/>