

Staircasing Policy

1 Our approach

- 1.1 This Policy sets out our approach to shared ownership staircasing.
- 1.2 This Policy is consistent with the Homes England guidance on shared ownership (the Capital Funding Guide).
- 1.3 We encourage and support our shared ownership residents to increase their share of their home in order to become outright homeowners where financially achievable.
- 1.4 We'll always follow the terms of the shared ownership lease when dealing with staircasing.

2 Staircasing overview

- 2.1 Staircasing arrangements vary across the different types of Shared Ownership offered by Octavia. Any specific restrictions are set out in individual leases but in general:
 - 2.1.1 For most new build or resale properties, Shared Owners can build up their share through staircasing until they purchase 100% of the equity in the property.
 - 2.1.2 For properties bought under the Older People's Shared Ownership schemes (homes specifically for people aged 55 or over) Shared Owners can build up their share through staircasing until they purchase a maximum 75% of the property.
 - 2.1.3 Leases drawn up from April 2006 specify that you can buy the remaining shares in your home either in one single payment or after several smaller transactions. Each purchase must be a minimum of 10% and in multiples of at least 5% above this percentage.
 - 2.1.4 When you staircase to less than 100% ownership, we'll re-calculate the rent you'll pay us for the share you don't own.

3 Things to consider before applying

- 3.1 Before applying to staircase, we recommend that you read through your lease agreement and our step-by-step staircasing guide to understand the exact requirements before applying to staircase.
- 3.2 You should speak to your mortgage lender or an independent financial advisor to ensure you can afford it. You'll also need to consider other fees, such as your legal, mortgage and any administration fees payable to Octavia.

- 3.3 You should have a clear rent account (this includes service charges and any major works bills) when you apply to staircase, and throughout the process. We'll only allow the staircasing to complete if you're up to date with your payments.
- 3.4 Octavia will pay its own legal fees when you buy more shares.
- 3.5 We **do not** allow staircasing:
- a) If your income does not meet our guidelines for responsible lending and the increased share is not affordable for you. This will be established during your financial assessment with an Independent Financial Advisor (IFA) on our panel. If you are final staircasing (i.e. buying the full 100% share) financial assessment is not compulsory.
 - b) If you cannot confirm the source of funds or proof of savings with an audited flow of where the money has come from to buy the additional share. This is required to ensure we comply with Anti-Money Laundering legislation.
 - c) If all parties who originally bought the property do not agree to staircase and the instruction forms are not signed by all owners.

4 Determination of market value

- 4.1 Additional shares are purchased at the current market value as determined by an independent Royal Institution of Chartered Surveyors (RICS) valuer.
- 4.2 Under the terms of your lease, the cost of this valuation is met by you and payable directly to Octavia.
- 4.3 Upon receipt of your valuation fee, Octavia will instruct a RICS valuer to assess the open market value of your home.
- 4.4 We cannot accept any valuation that has not been undertaken by an Octavia approved Valuer.
- 4.5 Your home should be valued on the basis it has been properly maintained. If you have not maintained your home in accordance with the lease, the valuer should not give a lower value due to its condition.
- 4.6 **Valuation expiry**
- 4.7 The valuation is usually valid for three months from the date of the report. If it expires before the staircasing completes, updating it will be at your own additional cost. If you get an updated valuation and the value has changed, we'll recalculate the staircasing premium (the amount you'll pay us for the additional shares).

4.8 In exceptional circumstances, where the delay is outside of your or Octavia's control, we do have the discretion to extend the valuation for a further 3 months. After this time, if you have still not completed the staircasing process your application will be cancelled and you'll need to re-apply.

4.9 **Valuation challenge**

4.10 The terms of your lease state that the valuation report is binding on all parties unless the report includes a 'manifest error' for example, if the report lists the property with incorrect number of bedrooms or parking detail etc. However, if you have a query over the valuation or do not agree with it, we can:

- put you directly in touch with the valuer who will require comparable evidence before re-assessing your valuation. The comparable evidence will need to include sales of at least 3 similar local homes that have occurred in the last 3 months.

4.11 There is no guarantee of any changes and the decision to amend any valuation remains solely at the discretion of the valuer.

4.12 If following this review, you're still not happy with the final value, we can:

- instruct a further valuation through a different surveyor. You will, however, be responsible for paying an additional valuation fee.

4.13 Octavia will accept the most up to date valuation but there is no guarantee the new instruction will result in a different outcome. Please think carefully before applying for a new valuation.

5 **Impact of any home improvements**

5.1 If you have made significant improvements to your home, this could have an impact on the overall valuation of your property. The exact effect of improvements will be determined by the valuer.

5.2 You are therefore advised to include details of any substantial and/or recent home improvements with your staircasing application along with evidence Octavia has consented to them.

5.3 Octavia will review your application and where home improvements are validated, we will ask the valuer to provide two valuations - one that takes improvements into account and one that does not. The valuation without improvements will then determine the cost of additional shares. This in turn means you will not pay for the improvements in the percentage that you buy from Octavia.

5.4 For full clarification on how home improvements might be considered, please see 'Home Improvements Guidelines' provided at the end of this policy.

6 **Staircasing offer**

6.1 After we receive the valuation, we'll send you a letter offering to sell you additional shares at the value determined by the surveyor along with the copy of the valuation report.

6.2 The offer to purchase additional shares is made subject to you meeting the necessary financial affordability checks and we will ask for this financial information before proceeding to the next stage of the application process.

6.3 If you choose to accept our offer, you'll need to:

- complete and return the 'Instruction to Proceed' form, confirming the percentage share you are buying as well as the name and address of the solicitors that will be acting on your behalf.

6.4 No further action will be taken until your return this form which needs to be signed by all named leaseholders. have to pay us a fee to cover our administration costs.

7 Your responsibilities

7.1 You'll need to:

- Pay Octavia a non-refundable application fee and all other charges as applicable.
- Instruct solicitors to act on your behalf, and they'll deal directly with our Legal Team.
- Arrange your new mortgage, if applicable. Your lender may charge you fees.

7.2 You'll sign an Interim or Final Staircasing Memorandum, and your solicitor will register this with Land Registry after completion.

8 What happens after final staircasing?

8.1 Flats

8.2 Once you've staircased to 100% you'll no longer pay us rent. You must still pay any service charge, management charge, and ground rent (where applicable). In some cases you may start to pay ground rent where you might not have done so before.

8.3 You'll still be covered under the block buildings insurance.

8.4 If we are not the freeholder of your block when you buy all of the equity, you may acquire our title. This will mean we will no longer be your landlord or have a relationship with us. Your solicitor should advise you about this when dealing with your staircasing.

8.5 Houses

8.6 Once you've staircased to 100% you'll no longer pay us rent.

8.7 If we own the freehold, we'll transfer the freehold of your home to you. If we're not the freeholder, we may transfer the head lease or superior lease to you. You may have to pay additional legal fees for this.

- 8.8 You'll need to arrange your own buildings insurance as you'll no longer be covered under our buildings insurance policy.
- 8.9 If you live on an estate and are responsible for some of the communal costs, you'll continue to pay an estate management charge. The details will be in the freehold transfer document.

9 Selling after final staircasing

- 9.1 Once you've staircased to 100% ownership, you're usually free to sell the property on the open market without our consent.
- 9.2 You should check your lease or freehold transfer document, as you may need to wait for a period before selling. If you sell in this period, you may be required to make an additional payment to us. This will be detailed in your lease.

10 Final staircasing and simultaneous resale ('back-to-back sale')

- 10.1 You may choose to sell your home with outright ownership (if your lease allows). You'd need to staircase to 100% ownership and sell at the same time. See our Shared Ownership Resales Policy for more details.

11 Reverse staircasing

- 11.1 There is no right to reverse staircasing. However, in exceptional cases, we may use our discretion to buy back shares from shared owners. It can only be used as safety-net to enable a shared owner to remain in their home, despite the changes in their financial circumstances, and is a last resort option when the shared owner has got or is about to get into mortgage arrears and potentially lose their home.
- 11.2 Potential need is assessed on the basis of rent arrears, an indication that a household is at risk of repossession and household vulnerability (assessed using LA Homelessness criteria). Evidence will be required of what steps have been taken to resolve the situation. Octavia works in partnership with Local Authorities to help prevent at risk households from becoming homeless.

12 Remortgaging

- 12.1 If a remortgage has taken place subject to the terms of your lease an administration fee will be charged. There will also be a Notice of Assignment and/or Notice of Mortgage fee as well as a fee to reimburse any related legal charges incurred by Octavia.

13 Policy Review

- 13.1 The Policy will be reviewed every three years from the date of the approval by the Executive Director of Development, Sales and Asset Management or sooner if required by the introduction of new

legislation/regulation affecting Octavia’s liabilities regarding offering staircasing options or as a result of system audits or recommendations.

- 13.2 We will also review associated procedures and any staff training requirement at least once every three years to ensure that it continues to operate within best practice, achieve measurable results, and achieve continuous service improvement.

14 Responsibilities

- 14.1 The Head of Homeowner Sales Services will be responsible for ensuring that policy reviews are undertaken, that appropriate consultation takes place and that revisions are reported to the Executive Director for approval as required.
- 14.2 The Head of Homeowner Sales Services is responsible for ensuring that this policy is communicated and implemented.
- 14.3 The Head of Homeowner Sales Services will also ensure that detailed procedures will be developed and maintained by the team in line with this policy to provide further guidance during delivery of the Staircasing service.

15 Equality, Diversity and Inclusion

- 15.1 We will apply this policy fairly and consistently. We will deliver all services and activities within the spirit and context of current Equality legislation including the Equality Act (2010).
- 15.2 We will not discriminate against any person or group of persons on the grounds of: age; disability; gender reassignment; marriage or civil partnership; pregnancy or maternity; race; religion or belief; sex; sexual orientation.

16 Contact for further information

- 16.1 If you require any further advice, guidance and information about the issue/s covered by this policy, please contact the Customer Contact Team by calling 020 8354 5500.

Revision History		
Date	Reviser	Revision Detail
December 2022	Head of Homeowner Sales Services	Full review and update

Title: Staircasing Policy | Policy Owner: Head of Homeowner Sales Services | Approved by: Executive Director of Development, Asset Management & Sales | Approval date: 27/02/2023 | Published: 28/02/2023

Home Improvement Guidelines

The guidelines contained within this document are designed to provide clarity on what type of home improvements might be considered and how these are likely to be assessed during staircasing and when selling your property.

For home improvements to be eligible, the following conditions must apply:

- The property you are improving must be at least 5 years old
- Works must have been undertaken at your own cost within your demised space
- If the property is a self-contained flat within a building, the works cannot have altered the buildings common areas or structure
- Only improvements consented by Octavia may be considered
- You must be able to provide proof of the amount that you initially paid for the home improvement

Assessing the value of premium payable when staircasing

When you decide to staircase, we will need to assess the current market value of your home. This will also include evaluating any resultant uplift in the valuation as a result of home improvements carried out by you.

If you are staircasing, the value of your improvements will be deducted from the full market value. This in turn means you will pay a lower premium for the additional shares based on the un-improved value of your home.

For example:

- Property value (without improvements): £350,000
- Uplift in value from improvements: £5,000
- Full open market value (with improvements): £355,000
- Additional share being purchased: 10%
- Cost of additional 10% share: £35,000 (10% of £350,000, based on un-improved value)

Assessing the value of your share when re-selling

When selling, any improvements carried out within your home become an intrinsic part of the fixtures and fittings of the property and cannot be separated. The calculation of your equity share and the amount you will be receive in sale proceeds will therefore be based on the full market value of your home with improvements.

For example:

- Property value (without improvements): £350,000
- Uplift in value from improvements: £5,000
- Full open market value (with improvements): £355,000
- Share being sold: 50%
- Value of your equity share: £177,500 (50% of £355,000, based on value with improvements)

Additional considerations:

Replacement of Fixtures & Fittings

The replacement of fixtures and fittings like for like will not be considered a home improvement as these are considered maintenance and repair of the property.

For example, if your old bathroom suite is replaced like for like with a new one, this is not considered an improvement. However, if something is added that was not previously there, such as a shower or under floor heating, these are considered an improvement.

Layout alterations

In general, alterations to the layout of a property are not considered an improvement. Only under special circumstances, if the surveyor deems the alteration of the layout has added value, will this be accepted as an improvement provided the relevant legal requirements have been met.

External improvements

Improvements to the exterior of the building generally fall under the freeholders' obligations so works carried out by the freeholder and recharged to the lessees via the service charges or cyclical maintenance program cannot be included as a home improvement.

Depreciation

When a property is valued with improvements, we assume that the value of the improvements will depreciate over time, so that the value of a home improvement given in a valuation will reflect only the uplift in value that the works add at the time of assessment.

As a general guide, we assume that an improvement would depreciate by 20% every year. For example, by the end of the fifth year the value of the improvement would stand at £0.

Permission for Improvements

Under the terms of your lease, it is necessary

to seek permission from the freeholder prior to making certain improvements.

In cases, where Octavia's permission was not sought, retrospective consent for improvements will only be considered under exceptional circumstances and remains at Octavia's discretion. You should also be aware that obtaining retrospective consent can be a lengthy procedure and should be sought well in advance of commencing a sale or staircasing.

Please remember:

- If you would like improvements to be considered, you must declare these in your application
- You should include full details of the works carried out along with a confirmation of the approval or consent provided by Octavia for the improvement concerned
- Unfortunately, if permission has not been granted for any improvement where necessary, it cannot be considered when selling the property or buying extra shares during staircasing
- The amount you spent on improvements will not necessarily result in the proportional increase in the value of your home
- Unfortunately, some alterations considered an improvement may NOT add any value
- Only a RICS registered surveyor can determine whether an improvement has added value to your home

Further Information

Please use the table provided overleaf of non-exhaustive typical improvements which acts as a guide and provides information to which works might be considered an improvement.

Item of work	Is this considered an Improvement?	Comments
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Central Heating & Boilers		
Existing central heating boiler replaced	No	Like for like replacement is not considered to be an improvement
New central heating system installed	Yes	Considered an improvement if no previous central heating existed
Kitchen		
Existing kitchen cupboards replaced	No	
Extra cupboards added to the kitchen	No	
Replacement of the whole kitchen	Yes	Note: Depreciation of value applies
Existing tiles in the kitchen replaced	No	
Install new extractor fan or hood in the kitchen	No	
Integrated appliances added to the kitchen	No	
Existing taps replaced	No	
Bathroom		
Part of the bathroom suite replaced	No	
Extra wall tiling added to the bathroom	No	
Complete bathroom refurbishment/replacement	Yes	Note: Depreciation of value applies
Existing taps replaced	No	
Re-decoration and Flooring		
Redecorating your home	No	
Replacing floor coverings (carpets, wooden floors etc.)	No	
Full upgrade to include high quality alternative flooring	Yes	Considered an improvement if upgrading from a poor quality/no previous flooring
Double Glazing		
Replacing double glazed windows	No	
Replacing non-double-glazed windows with double glazed windows	Yes	If carried out by the lessee and not part of a cyclical works program
Major Structural Works		
Loft Conversion	Yes	If relevant permission and lease variations have been granted
Conservatory	Yes	If relevant permission and lease variations have been granted
Extension to the exterior of the building	Yes	If relevant permission and lease variations have been granted
Addition of a garage	Yes	If relevant permission and lease variations have been granted
Adding balcony or patio doors to the garden	Yes	If relevant permission and lease variations have been granted
Internal Works		
Internal door replacement	No	
Fitted wardrobes	No	
Adding alarm system/CCTV	No	
Existing fuse box replaced	No	
Alteration of layout of flat (e.g., removal/addition of walls)	No	Only in limited circumstances. See above
Sound proofing	No	
External Works (where demised)		
Garden landscaping	No	
Addition of a summer house/greenhouse or other garden structures	No	
Sheds	No	
Lease Extension		

Lease extension	No	
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