



fact sheet

NEW SOUTH WALES ABORIGINAL LAND COUNCIL

Amendments to the *Aboriginal Land Rights Act 1983 (NSW) (ALRA)*

Some LALCs may find that a feasibility study is required in order to properly consider dealing with their land or developing their land. NSWALC may also require a feasibility study before it can consider a land dealing application by a LALC.

What is a Feasibility Study?

A feasibility study identifies problems and opportunities, determines goals, defines successful outcomes and weighs up all the costs and benefits related to a business or project plan. It also includes limitations and recommendations, so that decision makers are well placed in deciding whether or not to proceed with the business, project or venture. A feasibility study is undertaken in the early stages before a business plan is developed or any formal steps are taken. It is an essential first step before any money or time is spent on more detailed plans.

What is a Business Plan?

Business plans are more in depth and detailed documents that build on feasibility studies and include specific timelines, marketing and operational plans and a detailed financial strategy.

Why is a feasibility study and business plan important?

Feasibility studies and business plans are important for LALCs considering complex land dealings or land development and identify risks and key success factors for achieving the plan. They support the decision making process, by giving a LALC a cost/benefit analysis of the actual business or project viability. This helps to ensure that a LALC is fully informed of the risks and benefits associated with the project or venture. It also helps to protect from the wastage of investment and resources on dealings that are not viable or will provide only nominal profit or benefit.

Feasibility studies and business cases are also important for the approval by NSWALC of land dealing applications. They provide strong evidence that the particular dealing is in the best interests of a LALC and that the risks associated with property development have been fully considered and those risks can be appropriately managed. It may also demonstrate the LALC has been through consultative processes with its members.

Assumptions and sensitivities:

It is important that the assumptions underlying any feasibility / business case are as accurate as possible. For example, market conditions, sale rates, interest rates and many other variables can fluctuate significantly and these fluctuations need to be understood and considered as part of the plan.

Note: the content of this fact sheet is intended for information purposes only. It is not intended as advice and should not be relied upon as advice. All parties should seek independent advice that is suited to their own specific circumstances.

Allowance for contingency:

Often multiple feasibility models are developed so that changing conditions can be analysed. For example, a residential subdivision development may be feasible when interest rates are 7% per annum, but may become unfeasible if interest rates rise to 9%. A prudent LALC should ask that feasibility studies and business cases consider the volatility of finance, construction costs and real estate markets (plus many other things) and that allowances are made for these factors. It is common for feasibility modelling to include a “contingency” allowance for this reason.

Market analysis, project timing and cashflow:

A real estate market's capacity to absorb new land may also vary and feasibility studies often include demographic and market analysis information so that likely demand and sales rates can be predicted. If there is little or no demand for a product, it may take years to sell the product and recoup the project costs. Project timing and month by month cash flow analysis is essential for any complex land dealing activity or real estate development project.

How does a LALC obtain a feasibility study?

Feasibility studies and business case planning for property development is a specialist area. The most important thing when a LALC is engaging an advisor is to ensure that they are appropriately qualified and experienced in relation to the type of development anticipated. A LALC should ask for details of a consultant's qualifications and experience and specifically, details of similar type projects that they have completed in the past.