

Notes and costing assumptions continued:

difficult to invest further in this sort of system improvement, noting in particular challenges in recruiting subject matter and digital experts, and an already existing program of transformation in systems and data. For this reason, the PBO considers it is not feasible to exactly match the expected ratio between expenses and revenue forecast under the current policy.

Stepping away from revised systems and data, Revenue NSW generally expects a return of around 10:1 for new compliance staff. Accounting for diminishing returns to these activities, the PBO assumes that additional compliance expenditure will generate a return of around 9:1.

Methodology

Focusing on the proposal to spend an additional \$30m on compliance activities over the forward estimates, the PBO assumes the expenditure begins in 2023-24 and it is devoted to additional compliance staff, rather than data or system upgrades. Accordingly, the expenditure is assumed to follow a constant annual profile of \$10m per year over three years.

On the basis of a 9:1 return, additional revenue of \$270m could be expected over three years, or \$90m per year. However, the PBO assumes there is a delay between hiring new staff and the generation of additional revenue. Accordingly, it is assumed the additional revenue is halved in the first year, to \$45m, followed by an additional annual revenue stream of \$90m per year.

Proposed policy	2022-23	2023-24	2024-25	2025-26	Total
Expenses (\$m)		10	10	10	30
Revenue (\$m)		45	90	90	225