Report

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The Art Economies Value Chain reports: Update on Art Centre Finances 2013/14–2014/15

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Australian Government
Department of Industry and Science

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GFC	global financial crisis
ICS	Indigenous Cultural Support
IEI	Indigenous Employment Initiative
IVAIS	Indigenous Visual Arts Industry Support
RAF	Regional Arts Fund

Executive summary

The Art Economies Value Chain research is a central part of the Aboriginal and Torres Strait Islander Art Economies project. In 2014, five Art Economies Value Chain reports were released, each researching and reporting on a key stage in the production and sale of Aboriginal and Torres Strait Islander art from remote Australia. One of these reports, *The Art Economies Value Chain reports: Art Centre finances* investigated the funding to remote area Art Centres and their financial circumstances. This report drew on funding and financial data up until 2012/13.

Since the completion of those five reports, a further two financial years have passed. This report has collected data from the 2013/14 and 2014/15 years and added it to the earlier dataset. The data from the additional two financial years have increased the richness and accuracy of the findings contained in the 2014 report and enabled further tracking of the trends it identified.

This update on Art Centre finances is provided with the aim of giving the sector, and its various stakeholders, contemporary information on the status, changes to and challenges for remote area Aboriginal and Torres Strait Islander Art Centres.

Summary of findings

Art Centre finances are recovering.	• There are signs of a sustained recovery in sales in Art Centres. However, most Art Centres are very small businesses, with limited resources to deal with shocks and change. • While around half of all Art Centres trade at a loss, this situation has improved over the last three years; the losses are smaller (and decreasing), and the number of Art Centres that report a profit has grown. • There is significant variation between the financial circumstances of each art region, and the situation is characterised by complexity and variability.
The funding environment has stabilised. Federal and state/territory funding continues to be crucial to the sector.	• Funding sources, levels and priorities identified in the earlier report remain largely unchanged. With five-year funding now being offered, there is a new level of stability and certainty. • While funding continues to be effective in its scope and scale, funding dependency remains high in many Art Centres.
Employment funding and programs are a major feature of Art Centres	• Employment funding and arts funding now provide equal amounts of funding for Art Centres. Wages are now the largest single expense for Art Centres, highlighting the competition between art production and employment outcomes.
Future directions	• Artist payments and art materials purchases are both a declining expense for Art Centres. This potentially points to reduced supply (which may help address declining average prices) but may also highlight future supply issues. • The financial situation for art centres varies according to the size of the art centre. Larger art centres are generally financially stable; while small art centres face ongoing challenges by virtue of their small size, they are also relatively stable. However, the middle ground for art centres is becoming larger and, consequently, more competitive.

Introduction

In 2014, the Aboriginal and Torres Strait Islander Art Economies project released five reports of the subproject Art Economies Value Chain. Each report researched and reported on a key stage in the production and sale of Aboriginal and Torres Strait Islander art from remote Australia. *The Art Economies Value Chain reports: Art Centre finances* (Acker and Woodhead 2014) investigated the funding to remote area Art Centres and their financial circumstances up until 2012/13.

This report has collected data from the 2013/14 and 2014/15 years and added it to the earlier dataset. As with the 2014 report, this report draws together two different, but entangled stories. The first is that of funding provided by a number of federal and state/territory agencies; external subsidy of remote area Art Centres has been crucial since they were first established in the early 1970s. The second is that of the financial state of Art Centres themselves. Art centres operate at the intersection of a complex set of expectations: as producers of art, as vehicles for economic opportunity, as service providers, as extensions of government policy and as builders of community capacity.

Balancing these two stories creates particular financial pressures. The 2014 report noted the successes of Art Centres, while also highlighting challenges for them and their funding partners. Combined with other Art Economies Value Chain reports (in particular, the Art Centre production report [Woodhead and Acker 2014a]), a detailed picture emerged of Art Centres as they adapted to change, negotiating a shifting policy environment and responding to an unstable, uncertain art market.

This report adds an additional two years of data to this earlier analysis, updating key findings and examining the trends that were identified in the 2014 report. The basic approach – and the range of caveats required to adequately describe the variation and complexity in the sector – replicates the approach from two years earlier. Similarly, the overall operating environment for Art Centres has not substantially changed: the total number of remote Art Centres and their peak bodies is about the same; the policies that guide the various investments by governments have, by and large, remained the same; and art market conditions are synonymous with those in 2012/13.

Methodology

This report is intended to be read in conjunction with the 2014 report (Acker and Woodhead 2014), which provides both additional context (saving repetition in this update) and important comparative data that help in understanding the trends at work in the sector.

Overall, the methodology for this extension to the Art Centre finances report is the same as that of the original; that is, it draws on two data sources:

1. Audits: most remote area Art Centres are incorporated under the Australian Government's *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act). As such, they lodge their annual audit with the Office of the Registrar of Indigenous Corporations, which is then publicly available. A small number of Art Centres have also provided their audits directly to us, in order to be included in this analysis.
2. Funding: all relevant federal and state/territory arts agencies were asked for a summary of funding provided for the last two financial years.

All data and analysis are focused on Aboriginal and Torres Strait Islander visual arts organisations operating in remote Australia. There is no absolute definition of an ‘Art Centre’, and a range of organisations may provide creative services in remote communities. However, based on the number and scale of organisations that are funded and are members of Art Centre peak bodies, there are around 85 Art Centres in remote Australia.

The audits of 56 Art Centres for 2013/14 and 55 Art Centres for 2014/15 were analysed, representing 65.8% and 64.7% of total Art Centres respectively. With these added to the audits from the 2014 report, a total of 487 ‘audit years’ compose the full dataset. While some results in this report are shown as national totals, generally the results are arranged by art region, which allows for greater detail and improved understanding of the variety of and variability between Art Centres, without identifying any one organisation. Further information on the art regions, including a map, and other methodological details are given in *The Art Economies Value Chain reports: Methodology and Art regions* (Woodhead and Acker 2014b). Note that in the section of this report that analyses Art Centre finances, the Outback region is excluded as no recent data were available.

While this update generally follows the same format and structure as the original, some sections are not revisited, primarily because the data were not available or the results were of limited interest.

National funding

This section assesses the national funding picture for Art Centres, including the mix, source and total funding and how this has varied over time. In the 15 years from 2000/01 to 2014/15, total funding for remote area Aboriginal and Torres Strait Islander Art Centres was $236,366,263. More detail on this funding is given in Appendix 1. Of this total, 81.1% was provided by the Australian Government.

With the exception of 2013/14, where a small number of infrastructure projects attracted one-off funds from non-arts sources, annual funding over the five years to 2014/15 are among the most stable in recent funding history, as shown in Figure 1. This stability has been helped by a recent move by the Ministry for the Arts to five-year funding cycles, replacing the earlier three- and one-year contracts.

The two leading sources of funds for subsidised Art Centres are the arts program Indigenous Visual Arts Industry Support (IVAIS) (which makes up almost 90% of the ‘Federal Art+Culture’ data in Figure 1) and the employment program, Indigenous Employment Initiative (IEI) (shown as ‘Federal Employment’). Together, these two programs provided around three-quarters of all funding since 2009/10. The 2014 report noted that employment funding was rapidly becoming the largest source of funding for Art Centres; while this has not significantly changed, 2014/15 saw a small shift, with art funding again being the major source of funding.

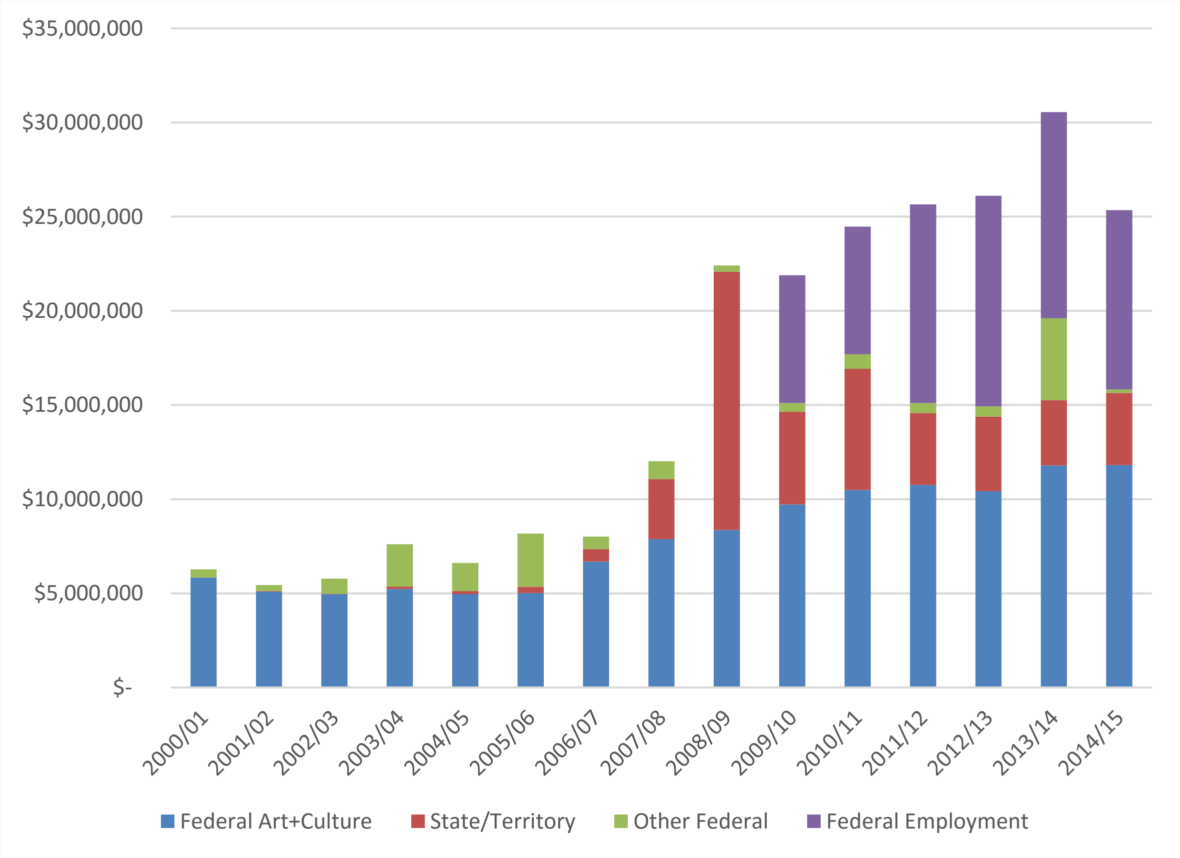

Figure 1: Funding over time – all agencies (cf. Figure 3, Acker and Woodhead 2014)

Peak bodies and industry development remains an important target of funding, attracting 25.3% of all funding.

Total funding to the sector was also analysed by the state/territory to which it was allocated. Overall, the funding distribution to the Northern Territory and the four states, where all remote Art Centres are located, has remained largely unchanged, as shown in Figure 2 – despite South Australia receiving a one-off boost of capital funding in 2013/14, while Queensland has seen some changes to the mix of federal and state funding and a recent fall in IEI funding. However, the same observations from 2014 remain: that Queensland, with the second highest level of funding but with only 15% of the art centres is proportionally the best funded state, while Western Australia, with around 30% of art centres is, proportionally, underfunded.

As the 2014 report noted, a significant change to the funding environment happened in 2009/10, with the start of the IEI. This saw funding and responsibility for the employment of arts workers devolved directly to Art Centres.

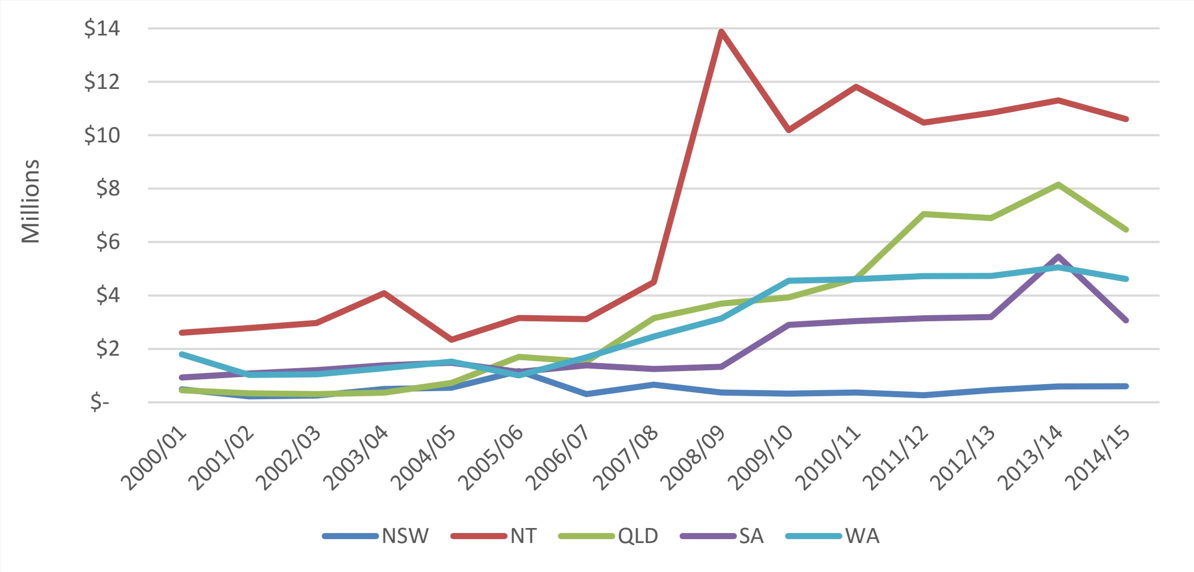

Figure 2: Total federal and state/territory funding, shown by recipient state (cf. Figure 4, Acker and Woodhead 2014)

For many centres, this was a significant change to the scale of their funding arrangements. As Table 1 shows, for more than half the art regions, IEI funding exceeds funding for Art Centre activities. Changes in the last two financial years have been relatively minor, although the trend for dependency on IEI funding is up. For example, the six art regions whose dependency on IEI fell recorded an average 2.2% decline, while the seven art regions whose IEI dependency increased averaged 9.4% growth.

Table 1: Art region funding mix: arts/culture funding vs. employment funding, from 2009/10 to 2014/15, shown in order of IEI dependency (cf. Table 3, Acker and Woodhead 2014)

	ICS + IVAIS	IEI	IEI dependency	% change of 2013/14–2014/15 compared to total of 2009/10–2014/15
TSI	$659,900	$9,408,098	93.4%	-0.6%
K	$3,413,923	$6,857,143	66.8%	-0.6%
ED	$1,305,000	$2,206,482	62.8%	0.1%
OB	$1,528,697	$2,092,674	57.8%	12.5%
CD	$3,795,600	$5,132,821	57.5%	-7.3%
A	$5,636,500	$6,619,790	54.0%	5.7%
APY	$4,937,830	$5,434,752	52.4%	6.9%
C	$4,328,769	$3,737,756	46.3%	16.0%
T	$2,372,000	$1,958,614	45.2%	-2.7%
FNQ	$5,671,542	$4,626,912	44.9%	5.3%
WD	$8,961,449	$5,576,260	38.4%	-0.7%
WC	$2,321,695	$1,269,751	35.4%	19.3%
PB + ID	$15,184,482	$848,749	5.3%	-1.1%
Totals:	**$60,117,387**	**$55,769,802**	**48.1%**	

TSI = Torres Strait Islands, K = Kimberley, ED = Eastern Desert, OB = Outback, CD = Central Desert, A = Arnhem, APY = Anangu Pitjantjatjara Yankunytjatjara, C = Central, T = Tiwi, FNQ = Far North Queensland, WD = Western Desert, WC = West Coast, PB + ID = Peak bodies + industry development

ICS = Indigenous Cultural Support

State/territory funding

Four states (Western Australia, South Australia, Queensland and New South Wales) and the Northern Territory are home to all of Australia's remote Aboriginal and Torres Strait Islander Art Centres and are given funding by state and territory government agencies. This funding is generally focused on projects and activities rather than operational aspects (Queensland's Backing Indigenous Arts program is a significant exception), cumulatively providing 19.9% of total funding into the sector. Table 2 shows the amount of funding provided by each jurisdiction for remote Art Centres and peak bodies. The right-hand column shows the degree of change for each state/territory, when the new totals are compared to those in the 2014 report.

Table 2: Total funding by state/territory (cf. Table 6, Acker and Woodhead 2014)

	Total	**% of total**	**% change from 2012/13 % of total**
NT	$20,733,357	46.4%	-9.7%
Qld	$14,907,312	33.4%	22.3%
SA	$3,817,112	8.5%	-8.6%
WA	$4,829,635	10.8%	-1.8%
Total	**$44,665,316**		

Table 3 shows the annual total of funding provided by state/territory arts agencies (note the data limitations for earlier years as set out in the 2014 report). As with the national funding picture, state/territory funding levels have been fairly stable since 2011/12, and the surge in funding from 2008/09 to 2010/11 has flattened out as the Aboriginal Benefits Account, which funded a wide range of new Art Centre infrastructure in the NT, has largely stopped supporting such projects.

Table 3:Total funding by state/territory agencies by year, 2000/01–2014/15 (cf. Table 7, Acker and Woodhead 2014)

	Total funding
2000/01	$13,600
2001/02	$40,000
2002/03	$20,000
2003/04	$121,680
2004/05	$162,268
2005/06	$324,466
2006/07	$661,035
2007/08	$3,181,927
2008/09	$13,715,327
2009/10	$4,930,452
2010/11	$6,432,529
2011/12	$3,824,450
2012/13	$3,956,594
2013/14	$3,457,136
2014/15	$3,823,852
Total	**$44,665,316**

Peak bodies and industry development

While the remote Aboriginal and Torres Strait Islander art sector is dominated by Art Centres, federal and state/territory funding also recognises the need to support other initiatives, in particular, peak bodies and industry development activities.

Funding is provided to five peak bodies that support various Art Centre clusters. In addition, funding goes to a range of supporting activities delivered by allied organisations, grouped here as industry development. For example, the Arts Law Centre of Australia delivers a program that enables remote area artists to write a will, and there is funding for a Code of Conduct and ventures such as the Darwin Aboriginal Art Fair.

Table 4 shows the total annual funding for peak body and industry development activities. The right-hand column shows the percentage of funding for peak bodies of total federal and state/territory arts funding (e.g. in 2014/15 the $4.37 million for peak bodies represents 17.2% of the sector's total funding of $25.3 million).

Table 4: Funding to peak bodies and industry development, 2000/01–2014/15 (cf. Table 10, Acker and Woodhead 2014)

State + federal (A+B)		Peak bodies (A)	Industry development (B)	Total arts funding (C)	% of total funding to peak bodies (A as a percentage of C)
2000/01	$916,956	$410,483	$506,473	$6,271,158	6.5%
2001/02	$820,163	$546,500	$273,663	$5,438,747	10.0%
2002/03	$871,587	$387,860	$483,727	$5,783,866	6.7%
2003/04	$2,840,709	$2,116,839	$723,870	$7,604,209	27.8%
2004/05	$1,816,411	$917,050	$899,361	$6,612,858	13.9%
2005/06	$3,060,338	$1,515,862	$1,544,476	$8,174,892	18.5%
2006/07	$1,587,683	$1,242,243	$345,440	$8,013,329	15.5%
2007/08	$3,314,050	$1,411,550	$1,902,500	$12,018,602	11.7%
2008/09	$11,044,350	$9,430,121	$1,614,229	$22,411,320	42.1%
2009/10	$5,229,311	$3,729,203	$1,500,108	$21,895,067	17.0%
2010/11	$5,898,648	$4,174,263	$1,724,385	$24,469,356	17.1%
2011/12	$4,769,847	$3,030,254	$1,739,593	$25,649,933	11.8%
2012/13	$5,090,838	$3,695,104	$1,395,734	$26,115,058	14.1%
2013/14	$6,228,128	$4,529,770	$1,698,358	$30,556,894	14.8%
2014/15	$6,340,344	$4,371,144	$1,969,200	$25,350,974	17.2%
Totals:	**$59,829,363**	**$41,508,246**	**$18,321,117**	**$236,366,263**	**17.6%**

While the basic funding dynamic for peak bodies (and industry development activities) has also been relatively stable, Figure 3 shows that increased support for peak bodies has largely come from federal sources, aside from the funding spike in 2008/09 to 2010/11, caused by the Northern Territory's ABA funding.

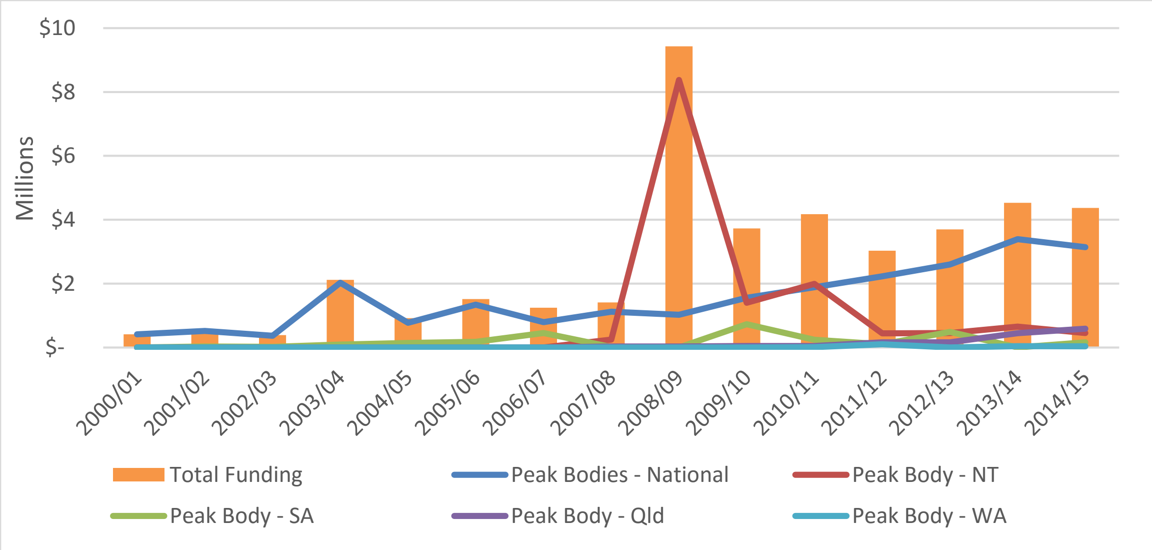

Figure 3: Funding contributions to Australia's peak bodies by federal and state/territory arts agencies, 2000/01–2014/15 (cf. Figure 6, Acker and Woodhead 2014)

Art centres

Financial overview

Notwithstanding the problem that their format and content vary greatly, annual audits provide an important way to analyse certain key financial circumstances of Art Centres. The additional two years of data described in this report extend the earlier analysis of Art Centre audits, both as totals (see Table 5) and regionally (see Tables 6 and 7). Table 5 includes the full set of records that we were able to source; however, as the 2014 report found, records before 2004/05 are too uneven to enable any further analysis. Hence, all other tables and figures in this section draw on the more complete data from 2004/05.

Table 5 shows that the overall, key trends identified in the 2014 report are largely unchanged. The percentage of income from sales is falling, reliance on funding and other income is increasing, while the balance between the art-making and employment role of Art Centres is indicated by the growth in wages and decline in payments to artists and purchase of art materials. The right-hand column in Table 5 shows the degree of change between the 2012/13 and 2014/15 totals. One notable change is that income from sources other than sales and grants has grown, indicating that Art Centres are having some success in income diversification.

Average Art Centre income and expenditure by state/territory and by art region

Art Centres vary significantly in size, scale and operations; the most appropriate way to include that variation, while not identifying individual organisations, is to collate data by state or art region to show average income and average expense of Art Centres.

Table 5: Art Centre audits, 1990/91–2014/15 (cf. Table 12 in Acker and Woodhead 2014)

Income		**% of total income/expenses**	**% change from 2012/13 % of total**
Sales	$201,078,221	54.2%	-5.4%
Grant income	$143,640,119	38.7%	6.3%
Other income	$26,070,956	7.0%	11.1%
Total income	*$370,789,296*	*100%*	
Expenses			
Wages	$101,631,577	28.1%	7.7%
Art materials	$15,577,544	4.3%	-6.5%
Artist payments	$117,768,473	32.5%	-7.1%
Other expenses	$127,328,126	35.1%	2.3%
Total expenses	*$362,276,077*	*100%*	
Retained earnings	**$8,513,219**		

The average income and expense situation for Art Centres in each state/territory, as shown in Table 6 indicates that the changes and challenges noted in the 2014 report (and above) are continuing. While SA recorded a 1% increase in average sales, all other states/territory saw a decline, offset by an across-the-board increase in average grant income. Average wages have grown significantly, while artist payments have fallen slightly, again foregrounding the shifting focus of Art Centre operations.

All four jurisdictions have also seen a further decline in the proportion of total income that is generated by sales; in 2012/13, Queensland Art Centres made 33% of their total income from sales, it is now at 26%; for the others, the 58–68% range reported in 2012/13 has reduced to 51–60%.

Table 6: Art Centre financial summary by state/territory, 2004/05–2014/15 and percentage of change from 2012/13 averages (cf. Table 13, Acker and Woodhead 2014)

		Income			**Expenses**			
	# of audits	**Average sales**	**Average grant income**	**Average total income**	**Average wages**	**Average artist payments**	**Average expenses**	**Average retained earnings**
NT	208	$427,362 -2%	$314,416 19%	$799,080 9%	$253,959 28%	$234,000 -4%	$793,885 11%	$5,195 -73%
Qld	66	$183,444 -13%	$494,427 17%	$695,323 8%	$249,477 17%	$104,591 -15%	$688,066 7%	$7,257 553%
SA	54	$415,662 1%	$222,204 35%	$696,152 15%	$193,027 48%	$256,359 -3%	$672,011 16%	$24,141 8%
WA	149	$353,089 -14%	$253,912 16%	$698,016 -1%	$185,371 21%	$218,028 -12%	$689,027 4%	$8,847 -79%

Table 7 presents average income and expenditure by art region (see Appendix 2 for charts summarising the financial situation of each region). There is considerable variability and complexity when comparing the new averages with those of 2012/13. For example, the Eastern Desert (ED) region has seen both steady sales growth and rising expenses, resulting in a fall in average retained earnings. Despite this, these earnings are still the best of any art region, even though the Art Centres here are relatively small.

Overall, when comparing the 2014/15 averages to the 2012/13 averages, the number of art regions reporting a loss (negative retained earnings) has grown from two to five, although the average size of the loss is not significantly higher. Similar trends, such as the increase in grant income, as noted above, are also observable across individual art regions; only the Tiwi region recorded a fall (of 2%) in grant income, while the average increase in grant income across the other ten art regions was around 20%. This trend is also observable when looking at the proportion of total income from grants: up to 2012/13, the average for all art regions was 50%; the new average is 54%, although there is considerable variation with the Western Desert region the lowest at 31% and the Torres Strait region the highest at 85%. Further, nine of the art regions recorded an average 20% increase to the amount of total income generated from grants; the other two art regions recorded a small decline.

Table 7: Average Art Centre financial circumstances, by art region, 2004/05–2014/15 and percentage of change from 2012/13 averages (cf. Table 14, Acker and Woodhead 2014)

			Income			**Expenses**			
	Av. sales rank	**# of audits**	**Average sales**	**Average grant income**	**Average total income**	**Average wages**	**Average artist payments**	**Average expenses**	**Average retained earnings**
A*	1	42	$693,680 4%	$390,801 34%	$1,171,438 19%	$323,834 31%	$422,895 9%	$1,196,628 22%	-$25,189 -421%
APY	4	49	$484,171 -3%	$248,887 29%	$795,373 9%	$215,110 42%	$301,059 -7%	768,757 9%	$26,615 9%
C	8	38	$115,446 14%	$355,203 7%	$513,938 12%	$191,626 31%	$55,208 2%	$517,086 15%	-$3,148 -143%
CD	9	24	$108,144 -20%	$320,840 11%	$437,783 0%	$246,397 16%	$54,986 -11%	$440,205 3%	-$2,422 -126%
ED	10	14	$107,267 44%	$345,444 16%	$464,722 21%	$226,957 29%	$54,957 58%	$434,313 27%	$30,409 -30%
FNQ	6	44	$233,229 -10%	$504,590 26%	$760,556 14%	$268,082 12%	$126,392 -15%	$755,445 11%	$5,111 -137%
K	3	55	$519,133 4%	$383,607 52%	$1,034,721 24%	$305,299 45%	$306,845 3%	$1,029,141 31%	$5,579 -89%
T	5	31	$308,768 -16%	$278,053 -2%	$631,627 -6%	$195,422 18%	$177,234 -19%	$635,381 -9%	-$3,754 -82%
TSI	11	22	$92,187 -13%	$486,439 3%	$588,829 -1%	$212,535 36%	$63,359 -8%	$572,278 3%	$16,550 -53%
WC	7	34	$133,699 4%	$146,555 16%	$294,805 5%	$86,443 29%	$83,453 10%	$302,050 18%	-$7,245 -129%
WD	2	124	$534,279 -10%	$246,462 7%	$870,497 -3%	$222,637 21%	$299,087 -12%	$848,867 0%	$21,630 -51%

* The Arnhem data shown here differs slightly from that in the original report as some important additional audit information for 2012/13 has become available in the interim.

A = Arnhem, APY = An̲angu Pitjantjatjara Yankunytjatjara, C = Central, CD = Central Desert, ED = Eastern Desert, FNQ = Far North Queensland, K = Kimberley, T = Tiwi, TSI = Torres Strait Islands, WC = West Coast, WD = Western Desert

Art Centres over the last 11 years

The picture of Art Centre ‘performance’ is complex and not easily understood by using any single financial analysis. When average income and expenses are shown by year, some different – and more positive – trends emerge (Table 8).

Table 8: Art Centre mean income and mean expenditure by year, 2004/05–2014/15 (cf. Table 15, Acker and Woodhead 2014)

	# of audits	Average sales	Average grants	Total income	Wages	Artist payments	Total expenses	Average retained earnings
2004/05	19	$492,060	$141,132	$689,878	$109,429	$281,070	$583,322	$106,556
2005/06	29	$457,861	$112,322	$655,188	$113,524	$285,952	$564,082	$91,106
2006/07	30	$519,958	$166,540	$727,198	$124,880	$316,907	$687,873	$39,325
2007/08	31	$552,301	$211,300	$752,706	$146,229	$305,568	$671,544	$81,162
2008/09	49	$396,935	$229,441	$646,009	$141,458	$220,368	$620,224	$25,785
2009/10	50	$409,343	$295,358	$732,854	$183,089	$252,068	$693,829	$39,025
2010/11	55	$301,658	$303,169	$660,195	$196,596	$179,766	$633,501	$26,695
2011/12	58	$307,249	$307,798	$676,935	$220,611	$178,012	$660,453	$16,483
2012/13*	47	$339,751	$365,660	$766,100	$258,034	$197,966	$796,834	-$30,734
2013/14	56	$331,717	$368,667	$786,832	$264,244	$190,597	$797,168	-$10,336
2014/15	55	$361,687	$347,766	$785,563	$277,944	$207,472	$788,207	-$2,644

*The 2012/13 data shown here differ slightly from that in the original report as some additional audit information became available in the interim.

Together with Figure 4, this information probably provides the best summary of the overall financial circumstances of remote area Art Centres. The previous report noted some of the drivers of change prior to 2012/13, but also identified some emerging trends and challenges; these are given more certainty with the addition of two years of data and enable the following observations to be made:

- The sustained fall in sales from 2007/08 to 2010/11 has since made a slow, but sustained recovery. While a return to the highs before the global financial crisis (GFC) is unlikely, the return of stability and modest growth is important. However, some of this growth is driven by a small number of large Art Centres.
- 2014/15 saw a small decline in funding. For the first time since 2009/10, sales income, not grant income was the major source of income for Art Centres.
- This modest rebalancing of sales and grant income in 2014/15 has, for the first time since before the GFC, seen a rise in the percentage of total income generated from sales – in 2014/15 it stands at 46%, up from a low of 42% (though still a long way from the 60–70% returns recorded around a decade earlier.
- From an average loss of more than $30,000 in 2012/13, Art Centres have regained ground and are now close to reporting a profit, with an average loss of $2644 in 2014/15.
- Wages remain Art Centres’ biggest expense, continuing to outstrip payments to artists; in 2014/15 wages were 1.34 times higher than artist payments; in 2012/13 it was 1.30 times.

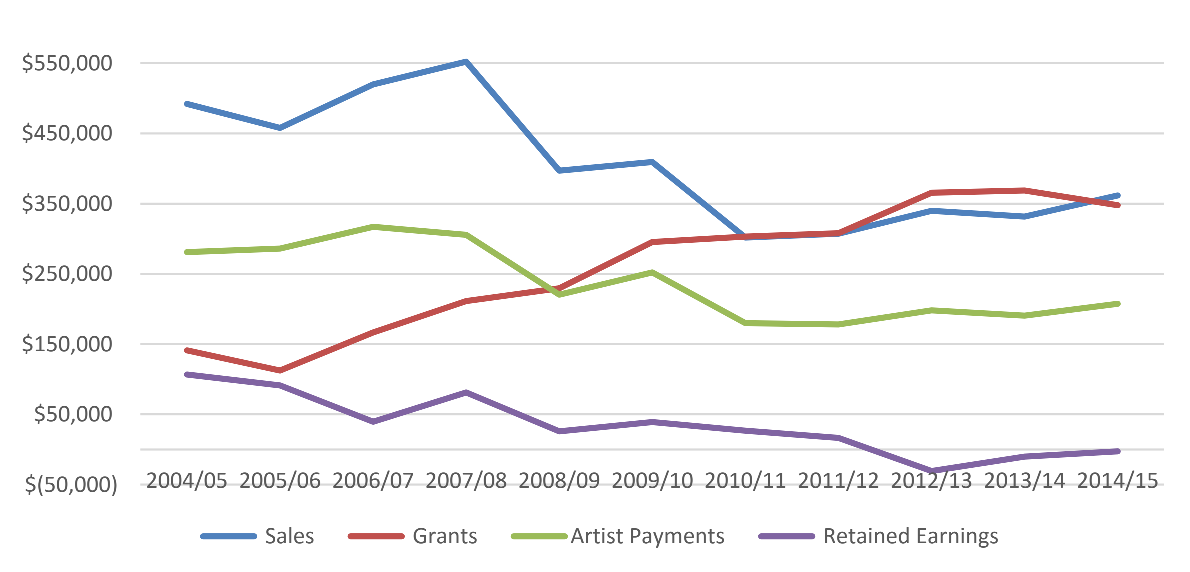

Figure 4: Art Centre financial indicators, 2004/05–2014/15 (cf. Figure 9 in Acker and Woodhead 2014)

As set out in the methodology section, this report relies on averages to understand the way Art Centre finances are playing out. However, these averages are skewed by results at the extremes. For example, the three largest Art Centres make almost one-third of all sales and, over the two additional financial years assessed in this report, they reported sizeable increases in sales. In total, this sales increase accounted for almost 70% of all sales growth in 2013/14 and 2014/15. Similarly, one large Art Centre recorded a very large loss in 2014/15 – if this is removed from the averaging of retained earnings, Art Centres have made a $3340 profit, rather than a $2644 loss. If the extremes are removed and some analysis is done on Art Centres earning between $100,000 and $1,00,000 in sales, 2013/14 and 2014/15 show that the proportion of Art Centres in this range has increased from 61% to 67%; however, their average sales are fairly static, highlighting that sales growth is unevenly distributed and there appears to be an increase in the number of mid-sized Art Centres.

Dominance of big Art Centres

The 2014 report found that a small number of Art Centres dominate art sales from remote communities. That original analysis looked at two five-year blocks: 2003/04–2007/08 and 2008/09–2012/13. Table 9 adds data from the two most recent financial years, 2013/14 and 2014/15. This smaller time scale makes any detailed analysis unreliable but can indicate potential trends.

These recent two financial years have seen a fall for both larger and smaller Art Centres in sales and retained earnings. The percentage of total sales made by larger Art Centres has also fallen and, combined with the reduction in the number of Art Centres reporting average sales of more than $500,000 per year, again points to the growth in number of mid-size, mid-range Art Centres.

Table 9: High income and low income Art Centre comparison (cf. Table 16 in Acker and Woodhead 2014)

		2003/04–2007/08	# of Art Centres	2008/09–2012/13	# of Art Centres	2013/14–2014/15	# of Art Centres
Art Centres over $500k	Average sales	$1,099,426	12	$1,035,990	17	$984,258	13
	Average retained earnings	$158,486		$8,075		-$7,483	
Art Centres under $500k	Average sales	$201,316	32	$192,883	43	$172,483	46
	Average retained earnings	$32,339		$8,391		-$6,307	
Share of sales to over $500k Art Centres		74%		69%		61%	

Art Centre turnover

A further encouraging sign for Art Centres is presented in Figure 5. After an almost unbroken fall in the number of Art Centres reporting a profit from over 80% in 2004/05 to under 40% by 2012/13, the last two years has seen a reasonable upturn. In 2014/15, 55% of Art Centres were reporting a profit, and, while the size of Art Centre losses remains fairly consistent, the size of profits is showing some recovery.

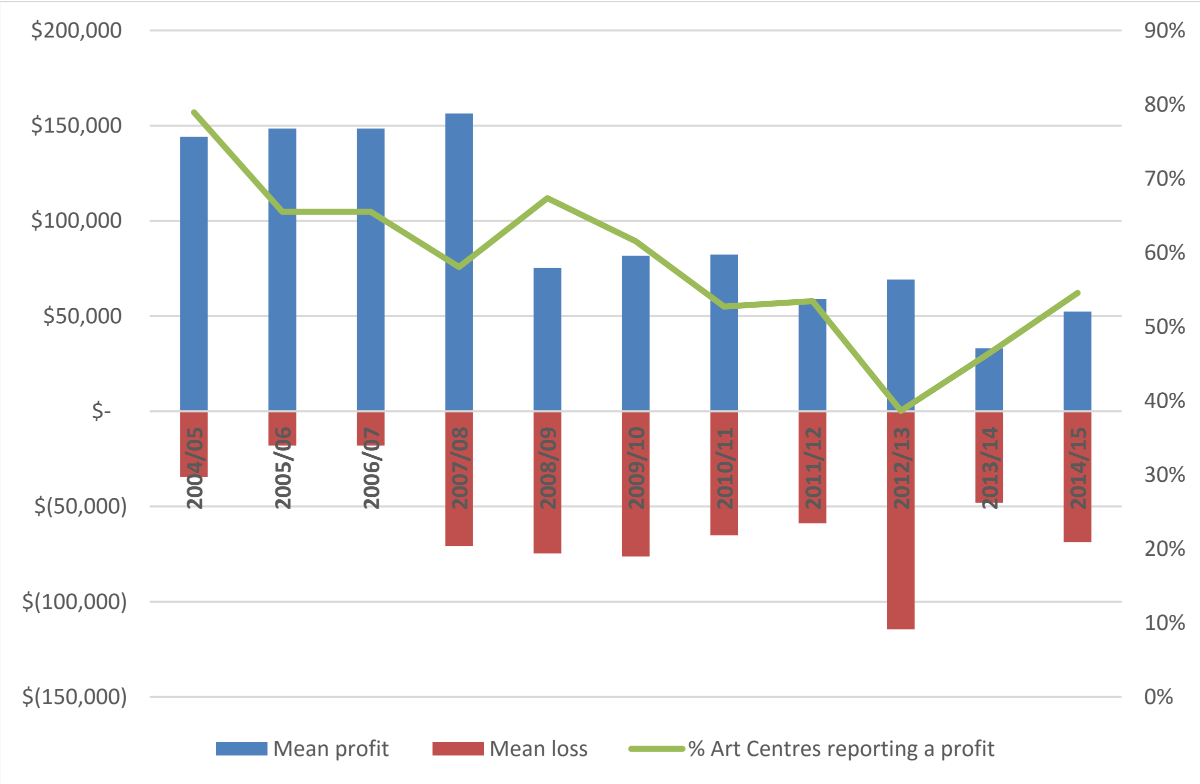

Figure 5: Art Centre profit, loss and retained earnings (cf. Figure 10, Acker and Woodhead 2014)

Conclusion

Australia's network of remote Aboriginal and Torres Strait Islander Art Centres continues to negotiate a mix of external factors, primarily government policy and market forces, as well as internal factors, such as the shifting demographics of remote community life and human resources. However, the ability of Art Centres to actively and confidently engage with these factors is limited by their overall financial situation, which, despite some positive signs, remains fragile.

While sales have shown steady, though modest growth, Art Centre reliance on funding is increasing. Funding income is tied to the delivery of government priorities, and these are currently framed by a 'normalisation' agenda (Sullivan 2011). Sales income, in contrast, is discretionary, meaning Art Centres and their artists and community can invest in local priorities and calibrate their organisation as best fits local circumstances.

Despite the increase in funding, almost half of all remote area Art Centres trade at a loss. While a hugely complex topic, encompassing mixed accounting principles (e.g. applying conventional standards such as depreciation to unconventional situations), cross-cultural governance, community authority, staff quality and art market tastes, this fragile financial situation presents a threat to the current network of around 85 Art Centres and the investment in them by funding agencies.

The Art Economies project has used such research findings to work with peak agencies in strengthening the operations of Art Centres. This includes supporting the development of an innovative 'business tracking' tool that will provide detailed, ongoing analysis of Art Centre finances and operations and a further project with the Indigenous Art Code of Conduct in creating a pioneering promotional website for Art Centres and agents, nationally and internationally.

As with the 2014 report, this update emphasises that assessing 'performance' of such multidisciplinary organisations as Art Centres is problematic. Art Centres generate numerous types of value for their communities and for mainstream Australia – and they are rightly acknowledged as one of the only long-term success stories from remote places. However, this report – building on findings from the earlier Art Economies Value Chain results – also makes it clear that on some basic financial measures, Art Centres are, by and large, struggling. The business models from pre-GFC times are not working as well as they once did. Several large, leading Art Centres have seen sizeable declines; some centres have amalgamated or will need to amalgamate if they are to survive. If the value of government investment is to be maintained, then greater clarity around the purpose of that investment and the way Art Centres operate is needed. The Art Centre model has shown resilience by adapting over the last 40 years; it is required to do so again if Art Centres are to negotiate their future in remote Australia, in the face of change and challenge.

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Woodhead A and Acker T. 2014a. *The Art Economies Value Chain reports: Artists and Art Centre production*. CRC-REP Research Report CR007. Ninti One Limited. Alice Springs.

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Appendix 1: Total funding for remote area Aboriginal and Torres Strait Islander Art Centres

Table A1: Summary of total funding, by year and by source (cf. Table A1 in Acker and Woodhead 2014)

Year	Total Funding	% change		Federal	State
2000/01	$6,271,158			$6,257,558	$13,600
2001/02	$5,438,747	-13%		$5,398,747	$40,000
2002/03	$5,783,866	6%		$5,763,866	$20,000
2003/04	$7,604,209	31%		$7,482,529	$121,680
2004/05	$6,612,858	-13%		$6,450,590	$162,268
2005/06	$8,174,892	24%		$7,850,426	$324,466
2006/07	$8,013,329	-2%		$7,352,294	$661,035
2007/08	$12,018,602	50%		$8,836,675	$3,181,927
2008/09	$22,411,320	86%		$8,695,993	$13,715,327
2009/10	$21,895,067	-2%		$16,964,615	$4,930,452
2010/11	$24,469,356	12%		$18,036,827	$6,432,529
2011/12	$25,649,933	5%		$21,825,483	$3,824,450
2012/13	$26,115,058	2%		$22,158,464	$3,956,594
2013/14	$30,556,894	17%		$27,099,758	$3,457,136
2014/15	$25,350,974	-17%		$21,527,122	$3,823,852
Total	**$236,366,263**			**$191,700,947**	**$44,665,316**

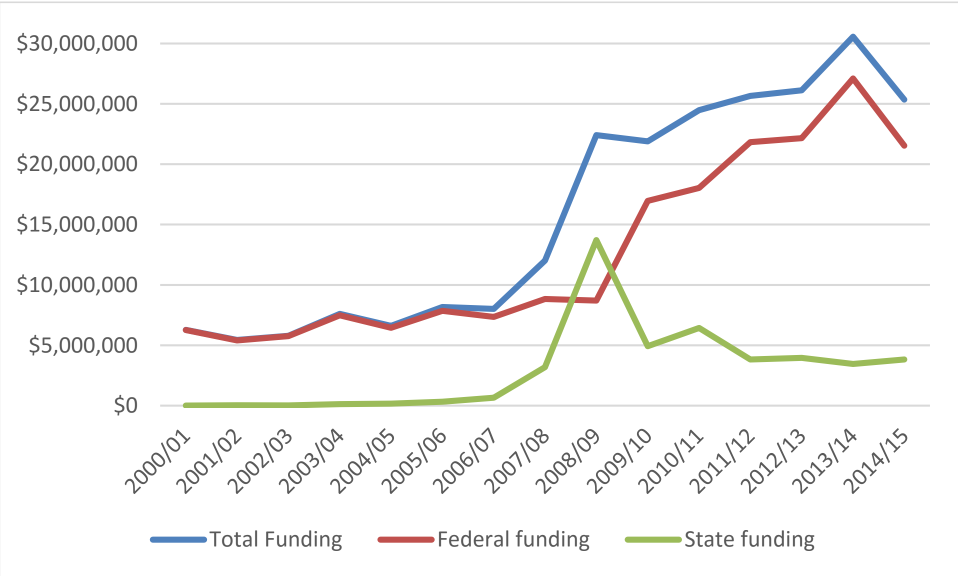
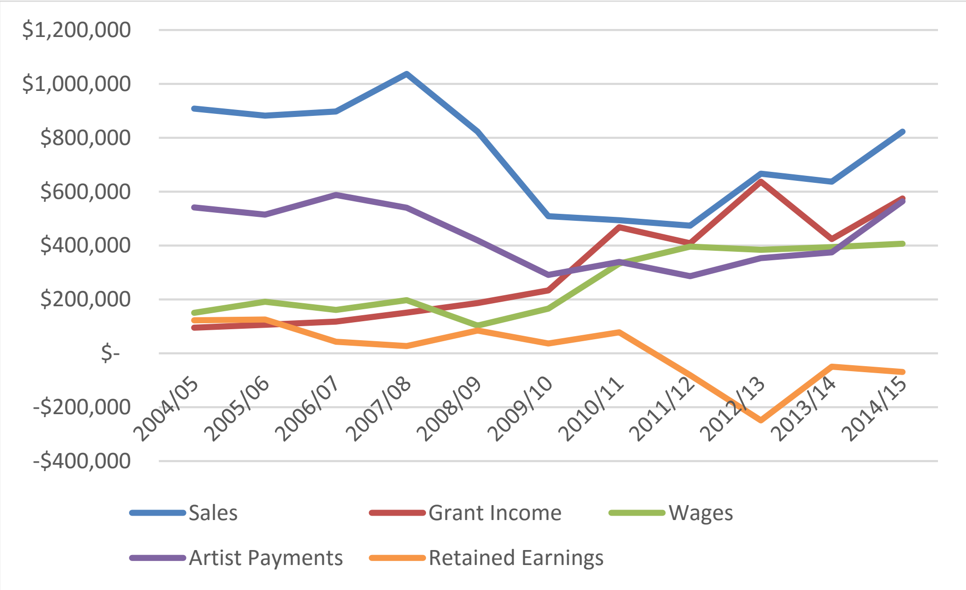


Figure 6: Chart of total funding

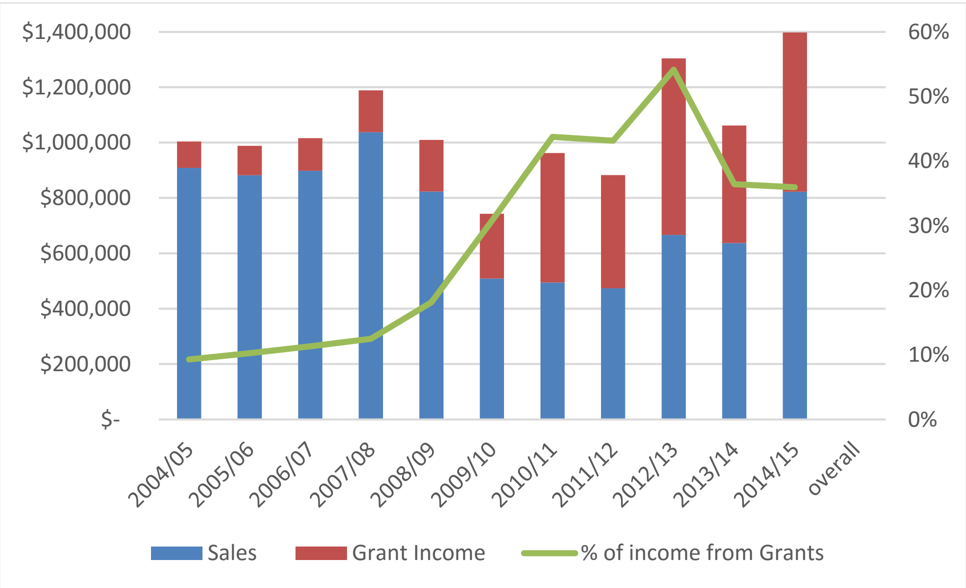
Appendix 2: Financial circumstances of 11 art regions

In following the same format as the 2014 report, this update has collated financial information for each art region. The date range for the art regions varies, depending on the length of their financial information available.

Arnhem Land

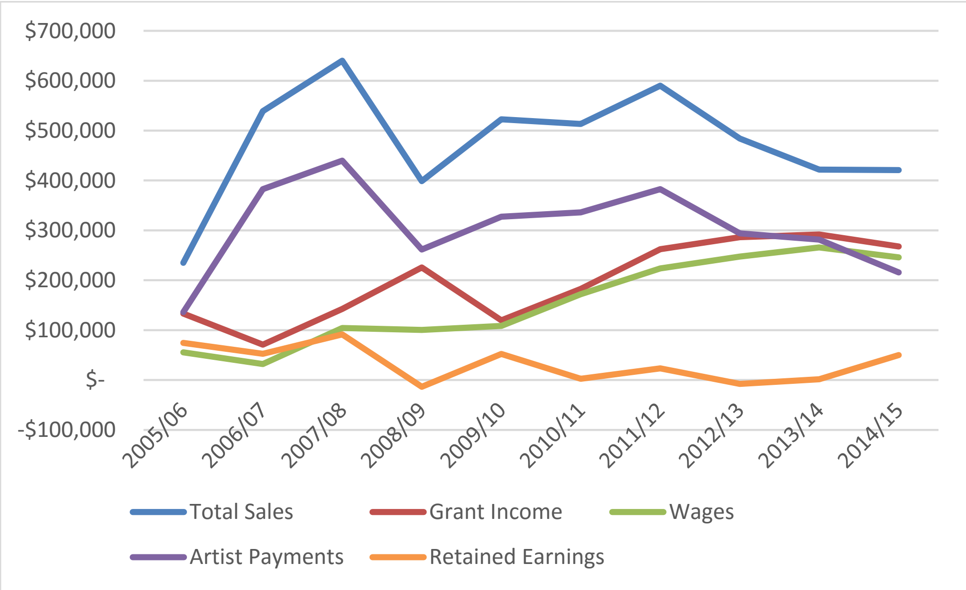


Arnhem Land key indicators, 2004/05–2014/15

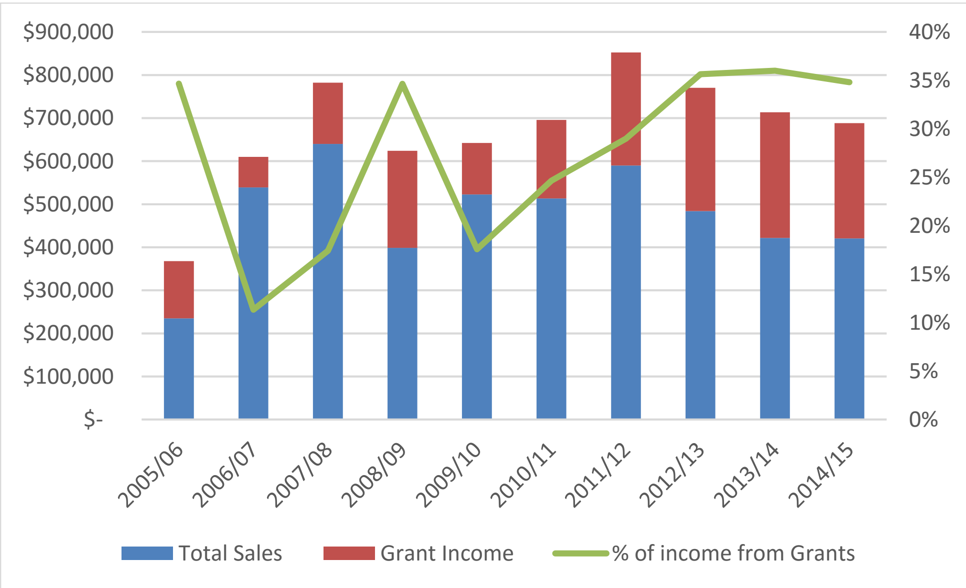


Arnhem Land sales income, grant income and percent of total income from grants, 2004/05–2014/15

APY Lands

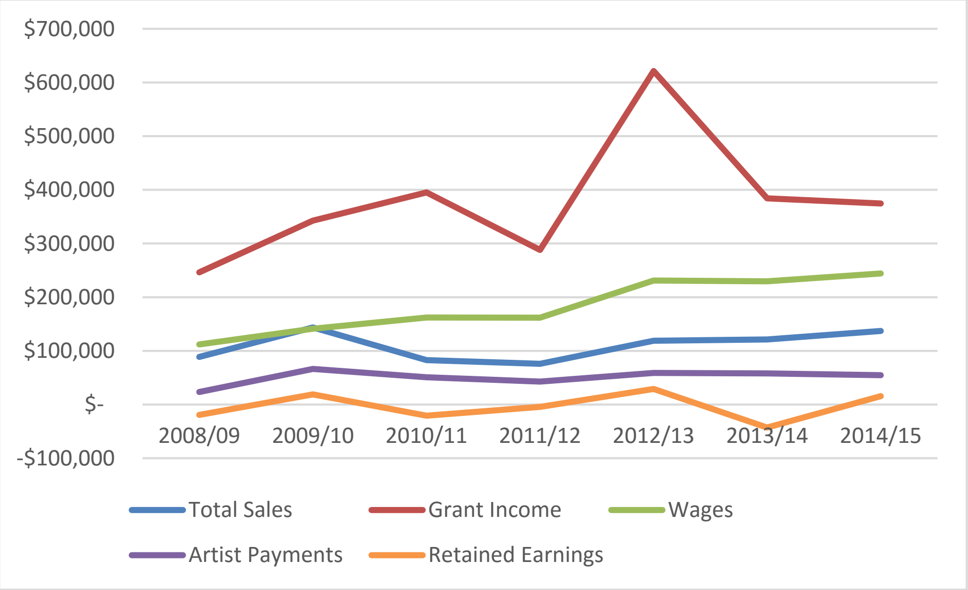


Anangu Pitjantjatjara Yankunytjatjara Lands key indicators, 2005/06–2014/15

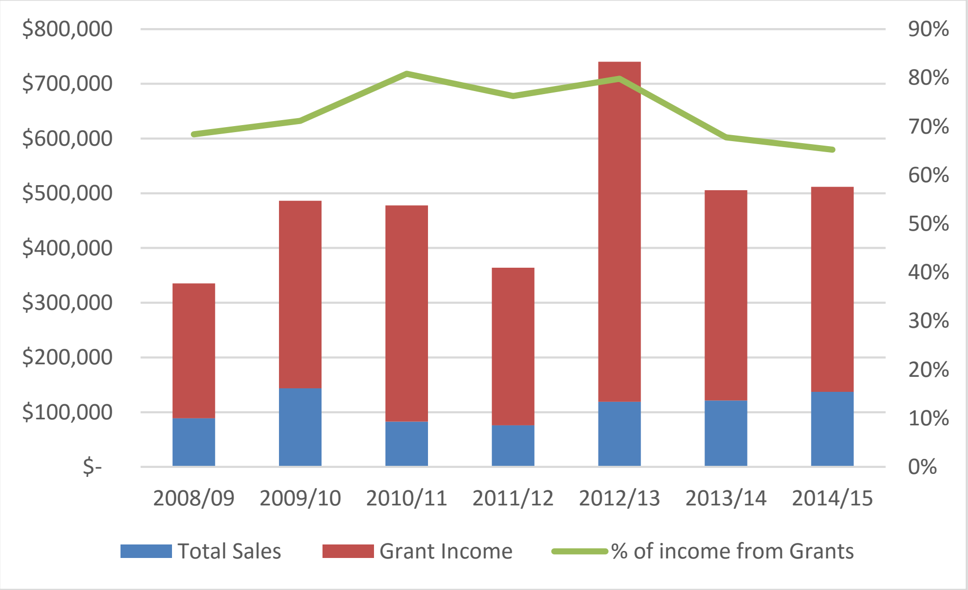


Anangu Pitjantjatjara Yankunytjatjara Lands sales income, grant income and percent of total income from grants, 2005/06–2014/15

Central Region

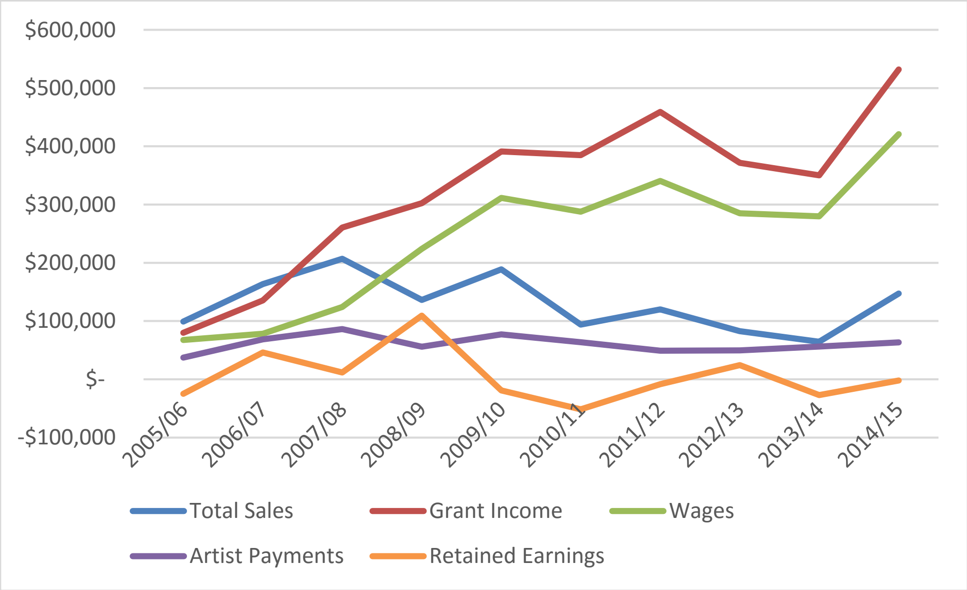


Central key indicators, 2008/09–2014/15

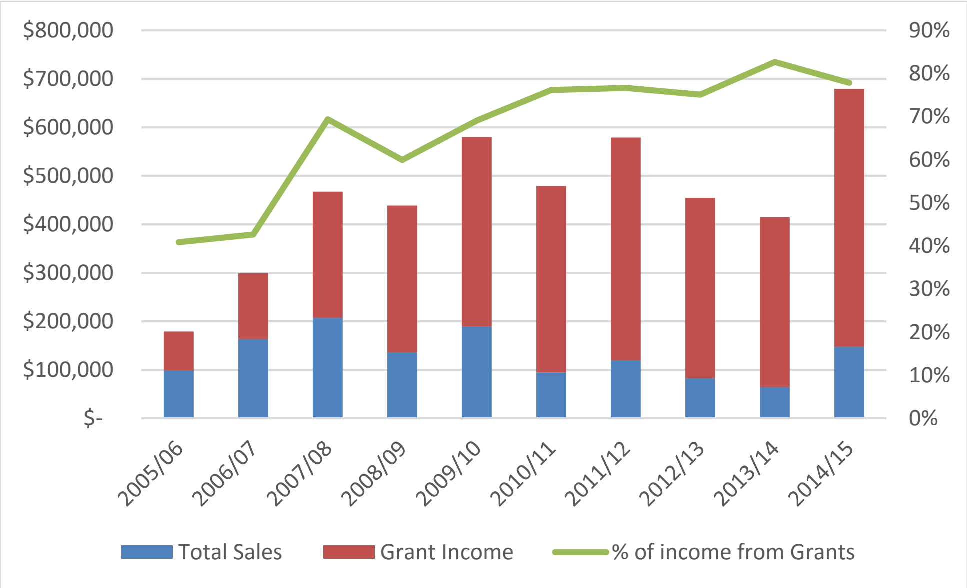


Central sales income, grant income and percent of total income from grants, 2008/09–2014/15

Central Desert Region

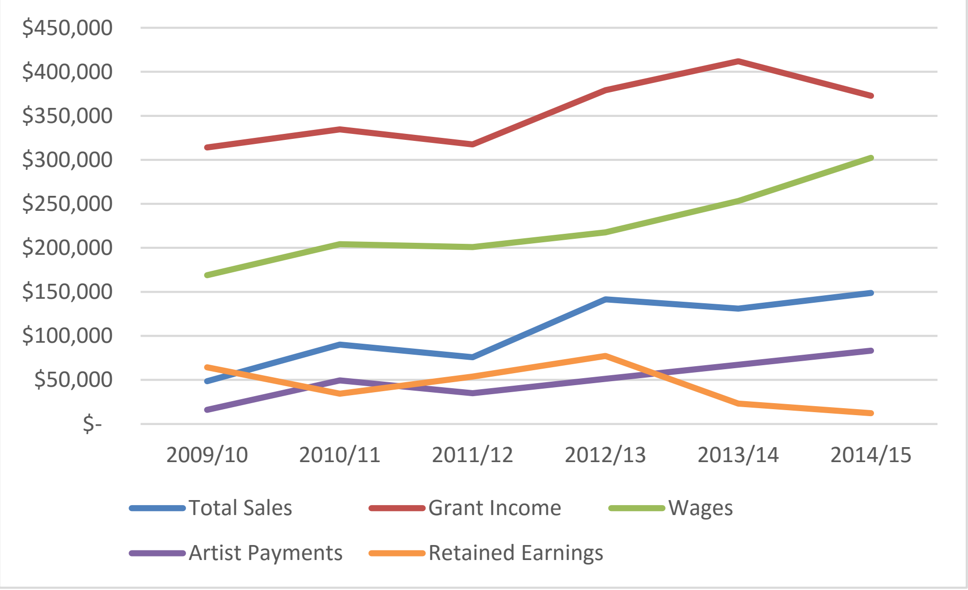


Central Desert key indicators, 2005/06–2014/15

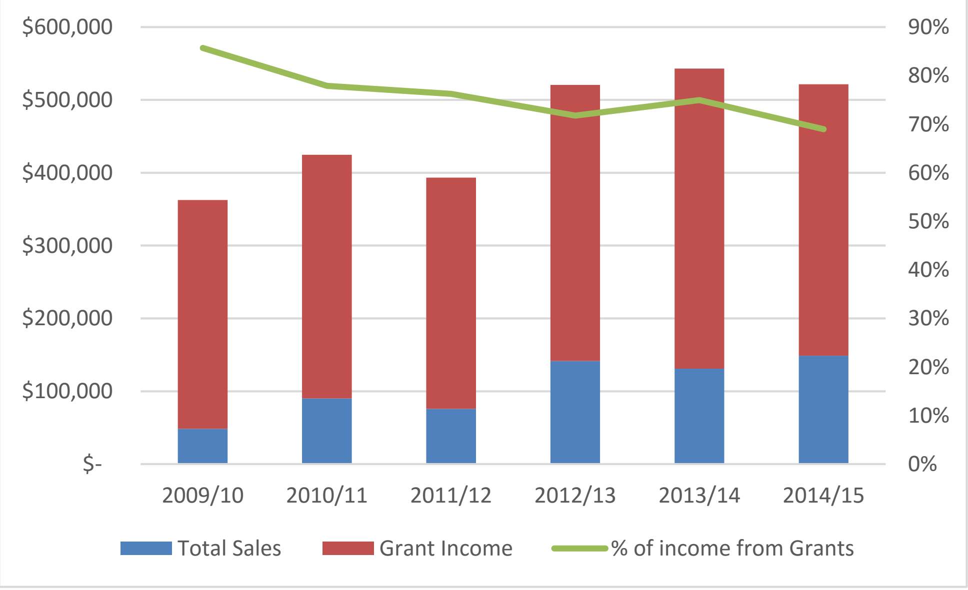


Central Desert sales income, grant income and percent of total income from grants, 2005/06–2014/15

Eastern Desert Region

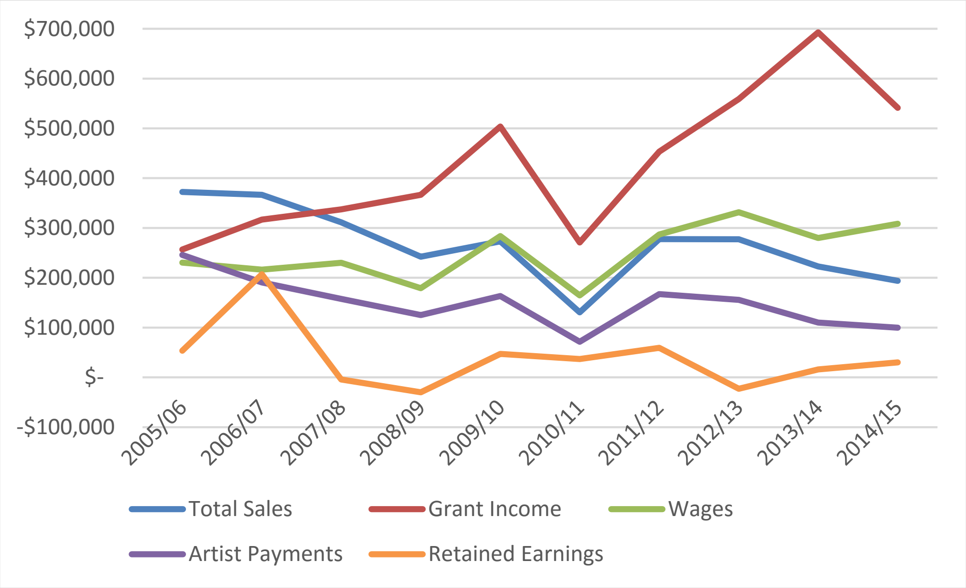


Eastern Desert key indicators, 2009/10–2014/15

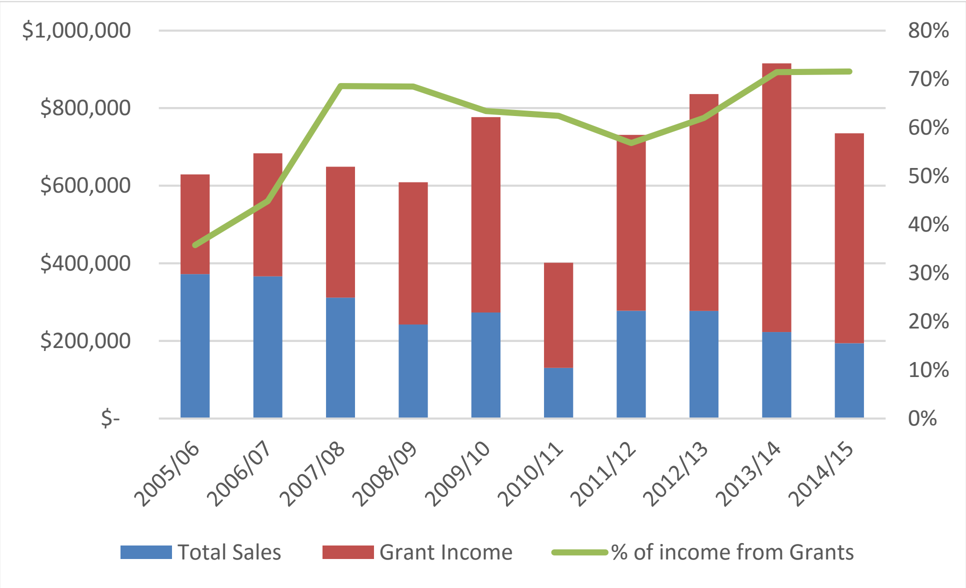


Eastern Desert sales income, grant income and percent of total income from grants, 2009/10–2014/15

Far North Queensland

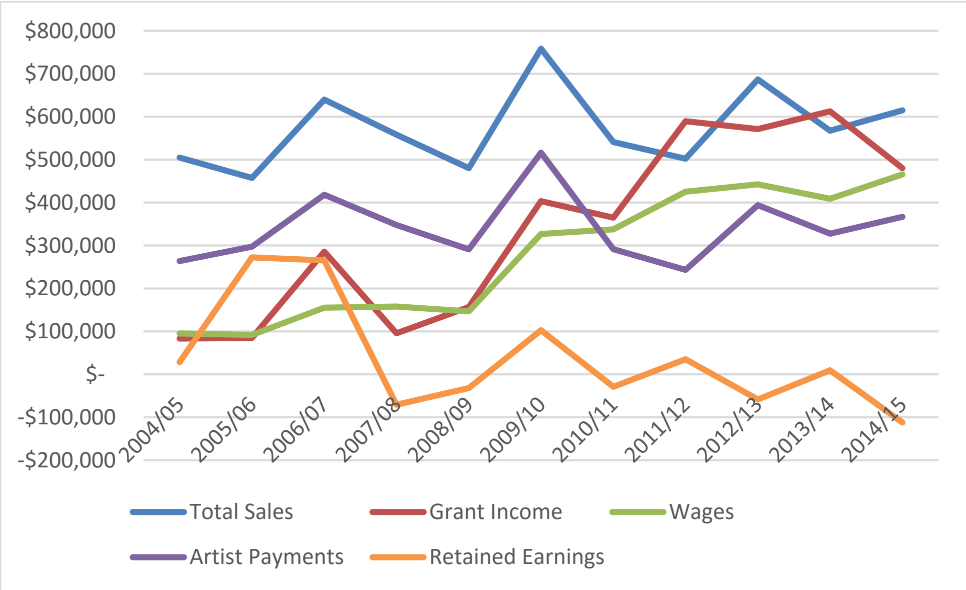


Far North Queensland key indicators, 2005/06–2014/15

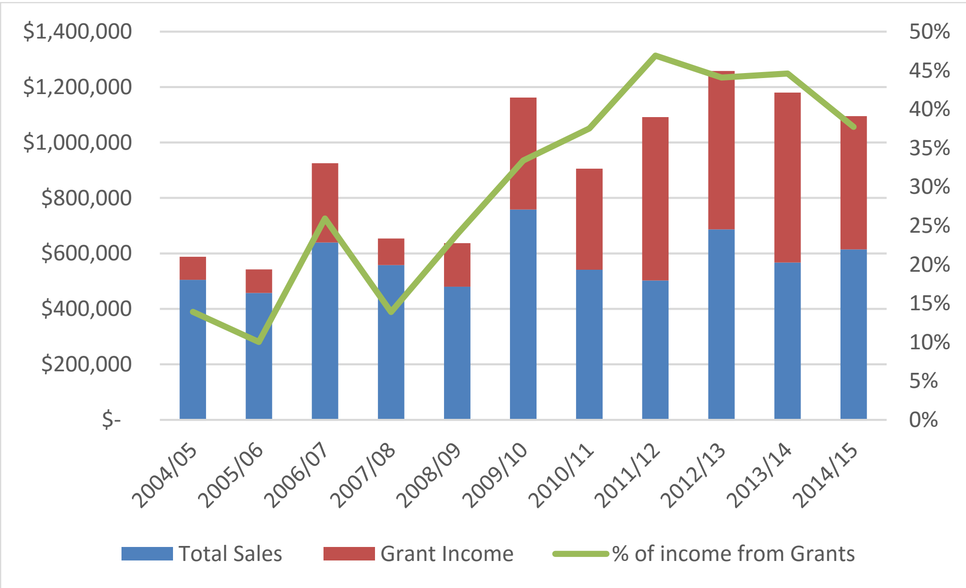


Far North Queensland sales income, grant income and percent of total income from grants, 2005/06–2014/15

Kimberley

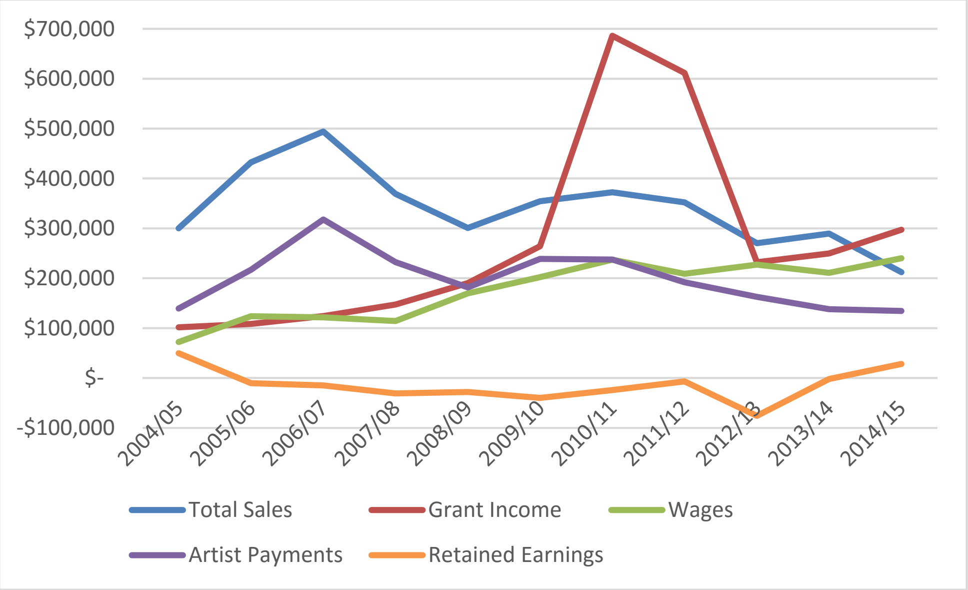


Kimberley key indicators, 2004/05–2014/15

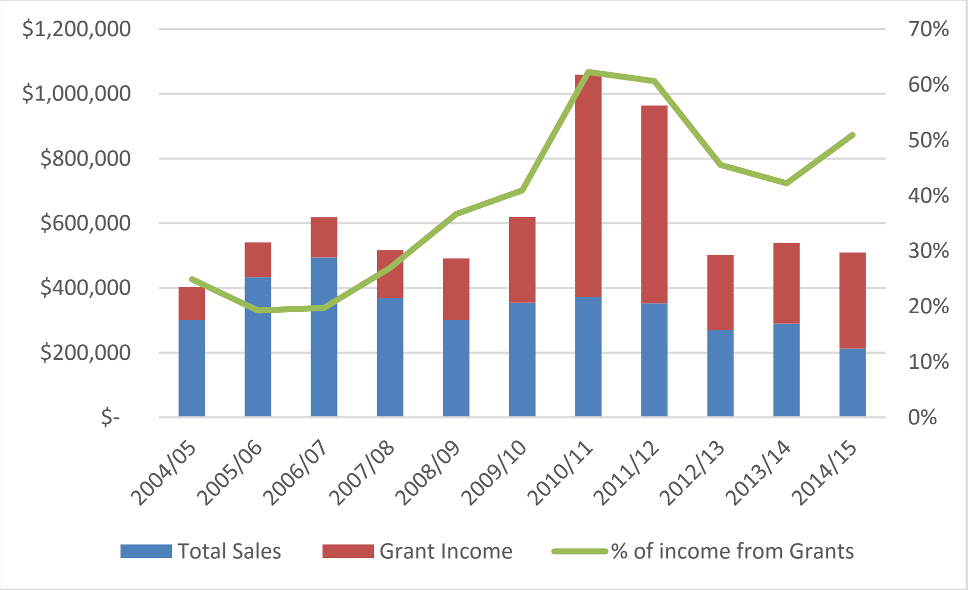


Kimberley sales income, grant income and percent of total income from grants, 2004/05–2014/15

Tiwi

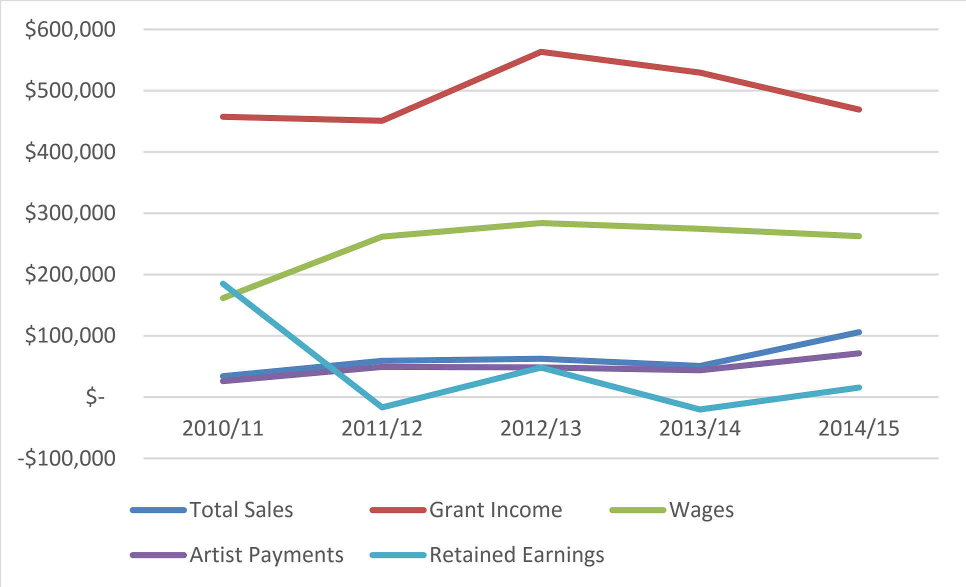


Tiwi key indicators, 2004/05–2014/15

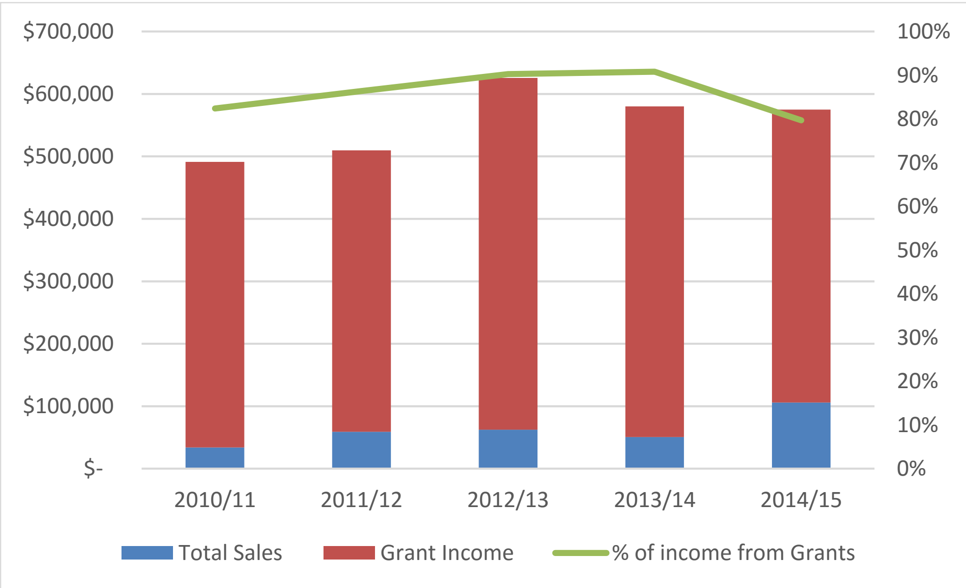


Tiwi sales income, grant income and percent of total income from grants, 2004/05–2014/15

Torres Strait Islands

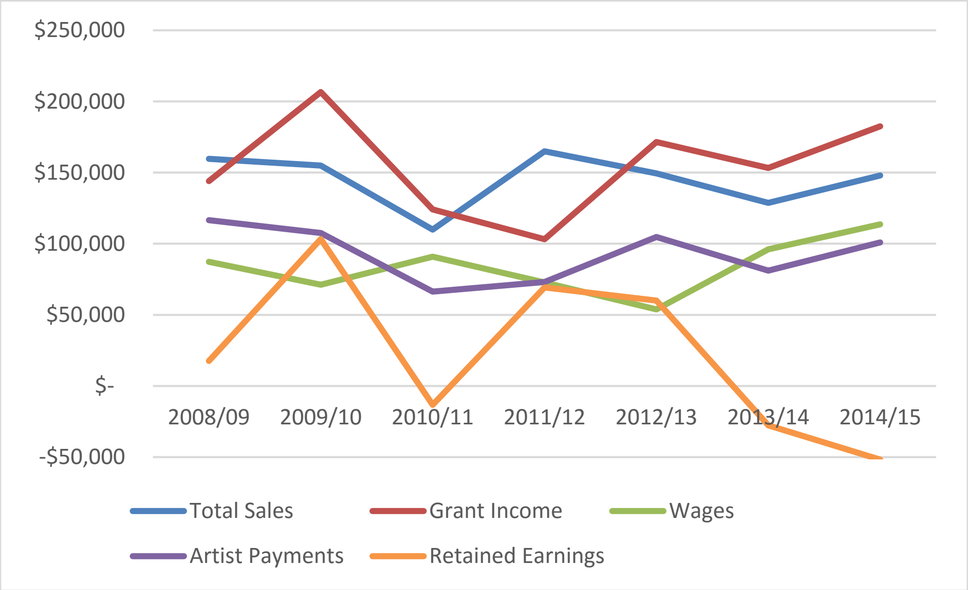


Torres Strait Islands key indicators, 2004/05–2014/15

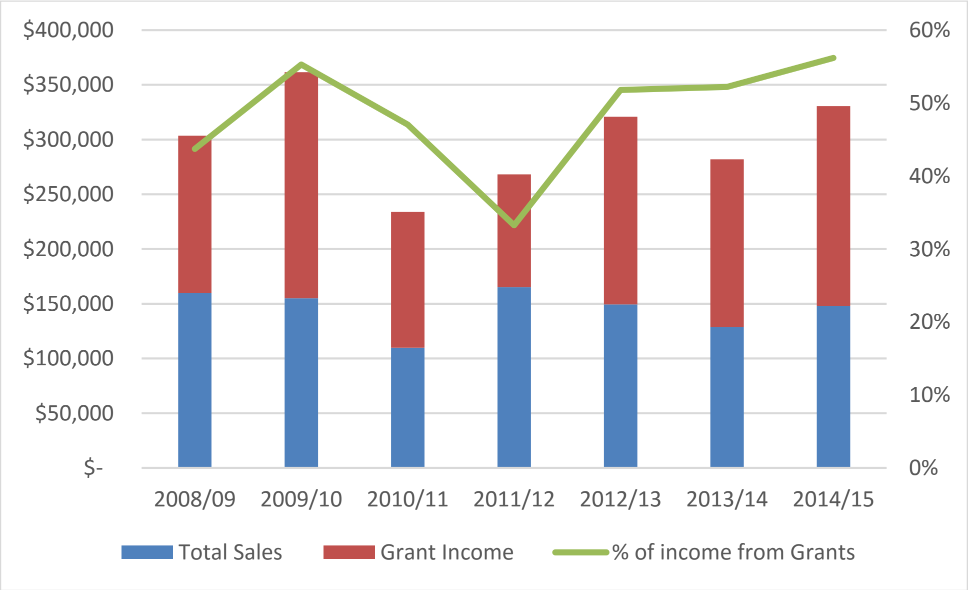


Torres Strait Islands: sales income, grant income and percent of total income from grants, 2010/11–2014/15

West Coast

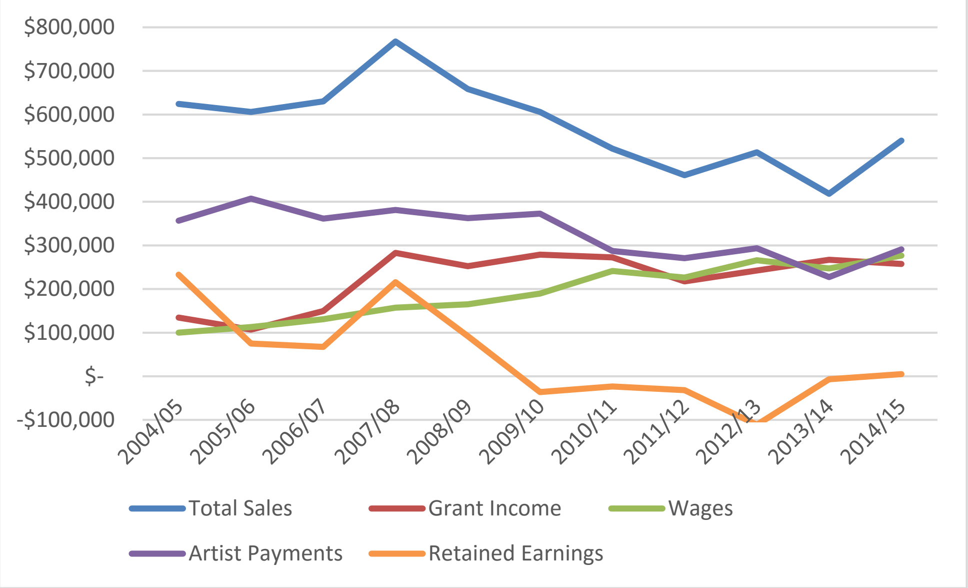


West Coast key indicators, 2008/09–2014/15

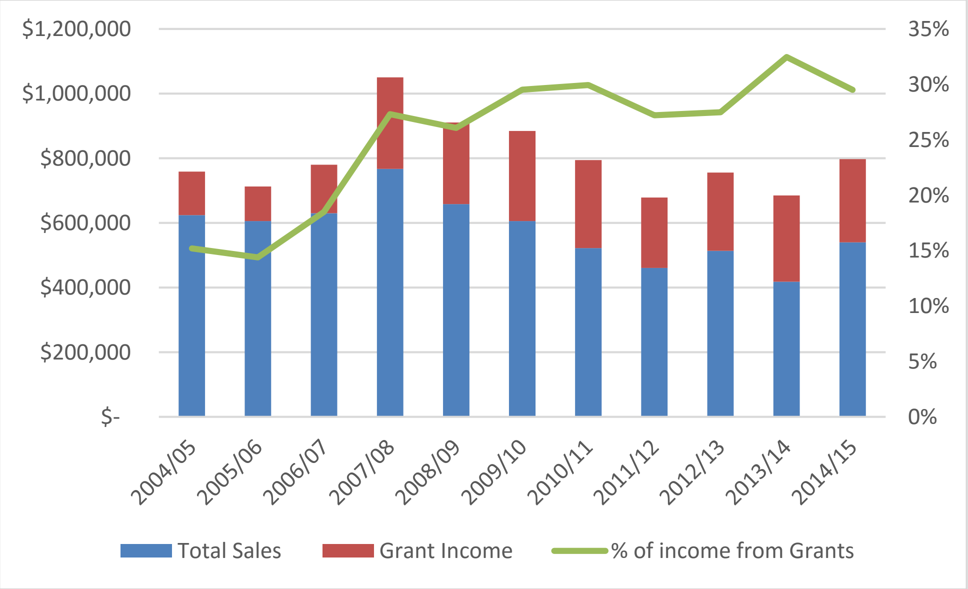


West Coast sales income, grant income and percent of total income from grants, 2008/09–2014/15

Western Desert



Western Desert key indicators, 2004/05–2014/15



Western Desert sales income, grant income and percent of total income from grants, 2004/05–2014/15

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