

CYNGOR SIR YNYS MÔN

ADRODDIAD I:	PWYLLGOR ARCHWILIO
DYDDIAD:	7 TACHWEDD 2014
PWNC:	DATGANIAD STRATEGAETH RHEOLI'R TRYSORLYS A'R STRATEGAETH FUDDSODDI FLYNYDDOL: ADRODDIAD ADOLYGU CANOL BLWYDDYN 2014/15
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Natur a rheswm dros adrodd

Sgriwtineiddio'r adroddiad er mwyn bod yn gyson â chanllawiau proffesiynol ac er mwyn cydymffurfio gydag argymhellion Côt Ymarfer CIPFA ar Reoli Trysorlys.

1. Cefndir

1.1 Dau o ofynion Côt Ymarfer y Sefydliad Siartredig Cyllid Cyhoeddus a Chyfrifyddiaeth mewn perthynas â Rheoli'r Trysorlys (a ddiwygiwyd yn 2011) yw bod y Cyngor llawn yn cael adroddiad adolygu canol blwyddyn ar weithgareddau rheoli trysorlys a dirprwyo'r gwaith o sgriwtineiddio strategaethau a pholisïau rheoli trysorlys. Bydd yr adroddiad hwn yn cwrrd â'r gofynion hyn ac yn rhoi sylw i'r isod:

- Diweddariad economaidd am y chwe mis cyntaf, gan edrych ymlaen hefyd i ail hanner 2014/15;
- Adolygiad o'r Datganiad Strategaeth Rheoli'r Trysorlys a'r Strategaeth Fuddsoddi Flynyddol;
- Gwariant cyfalaf y Cyngor (dangosyddion darbodus);
- Adolygiad o bortffolio buddsoddi'r Cyngor ar gyfer 2014/15;
- Adolygiad o strategaeth fenthycy'r Cyngor ar gyfer 2014/15;
- Adolygiad o unrhyw ad-drefnu dyled a ddigwyddodd yn ystod 2014/15;
- Crynodeb o weithgareddau ers chwarter 2;
- Edrych ymlaen i'r flwyddyn nesaf; ac
- Adolygiad o gydymffurfiaeth gyda Therfynau Trysorlys a Darbodus ar gyfer 2014/15.

2. Diweddariad Economaidd

2.1 Mae ymgynghorwyr trysorlys y Cyngor wedi paratoi crynodeb ychydig ar ôl diwedd y chwarter cyntaf o'r perfformiad economaidd hyd yma a'r rhagolygon, gweler Atodiadau 1. Hefyd maent wedi darparu'r rhagolygon isod.

	Rhag 2014	Maw 2015	Meh 2015	Medi 2015	Rhag 2015	Maw 2016	Meh 2016
Cyfradd Banc(%)	0.50	0.50	0.75	0.75	1.00	1.00	1.25
Cyfradd 5 mlynedd PWLB(%)	2.50	2.70	2.70	2.80	2.90	3.00	3.10
Cyfradd 10 mlynedd PWLB(%)	3.20	3.40	3.50	3.60	3.70	3.80	3.90
Cyfradd 25 mlynedd PWLB(%)	3.90	4.00	4.10	4.30	4.40	4.50	4.60
Cyfradd 50 mlynedd PWLB(%)	3.90	4.00	4.10	4.30	4.40	4.50	4.60

2.2 Yn ddiweddar cafwyd sylwadau gan ymgynghorwyr trysorlys y Cyngor mewn perthynas â'r rhagolygon ar gyfer y graddfeydd llog uchod. Gweler y sylwadau hyn yn Atodiad 2.

3. Datganiad ar y Strategaeth Rheoli Trysorlys a Diweddariad ar y Strategaeth Fuddsoddi Flynyddol

3.1 Cymeradwywyd y Datganiad ar y Strategaeth Rheoli Trysorlys (DSRhT) ar gyfer 2014/15 gan y Cyngor hwn ar 27 Chwefror 2014. Nid oes unrhyw newidiadau polisi i'r DSRhT; mae'r manylion yn yr adroddiad hwn yn diweddarau'r sefyllfa yn wyneb y sefyllfa economaidd ddiweddaraf.

4. Sefyllfa Gyfalaf y Cyngor (Dangosyddion Pwyllog)

4.1 Mae'r rhan hon o'r adroddiad wedi ei strwythuro i ddiweddarau:-

- Cynlluniau gwariant cyfalaf y Cyngor;
- Sut mae'r cynlluniau hyn yn cael eu cyllido;
- Effaith y newidiadau yn y cynlluniau gwariant cyfalaf ar y dangosyddion pwyllog a'r angen sylfaenol i fenthyca; a
- Cydymffurfiaeth gyda'r terfynau sydd wedi eu sefydlu ar gyfer gweithgareddau benthyca.
- Diwygio CRT

4.2 Dangosydd Pwyllog ar gyfer Gwariant Cyfalaf

Mae'r tabl isod yn dangos yr amcangyfrifon diwygiedig ar gyfer gwariant cyfalaf a'r newidiadau ers cytuno ar y rhaglen gyfalaf ar gyfer y Gyllideb.

Gwariant Cyfalaf	Amcangyfrif Gwreiddiol 2014/15 £m	Y sefyllfa ar 30 Medi 2014 £m	Amcangyfrif Cyfredol 2014/15 £m
Cronfa'r Cyngor	18,100	4,701	15,010
CRT	5,700	1,569	6,000
Cyfanswm	23,800	6,270	21,010

4.2.1 Mae'r amcangyfrif cyfredol ar gyfer gwariant cyfalaf is o gymharu â'r amcangyfrif gwreiddiol yn bennaf oherwydd tynnu allan eitemau wrth gefn nad dynt bellach yn rhan o'r strategaeth gyfalaf.

4.3 Newidiadau i Gyllido'r Rhaglen Gyfalaf

4.3.1 Nid oes unrhyw newidiadau sylweddol i gyllido'r rhaglen gyfalaf i adrodd yr adeg yma.

4.4 Newidiadau i'r Dangosyddion Pwyllog ar gyfer y Gofynion Cyllido Cyfalaf (GCC), Dyled Allanol a'r Terfyn Gweithredol

4.4.1 Mae'r tabl sy'n dilyn yn dangos y GCC, sef yr angen allanol sylfaenol i fenthyca i bwrpas cyfalaf. Mae hefyd yn dangos y sefyllfa o ran dyled a ddisgwyllir dros y cyfnod. Yr enw ar hyn yw'r Terfyn Gweithredol.

4.4.2 Dangosydd Pwyllog – Gofyniad Cyllido Cyfalaf

4.4.2.1 Rhagwelir y byddwn ychydig ar y blaen o ran y gofyniad cyllido gwreiddiol a ragamcanwyd ar gyfer cyllid.

4.4.2.2 Mae'r ffigur Benthyca ar gyfer y Dyled Allanol/y Terfyn Gweithredol yn seiliedig ar y rhagdybiaeth y byddwn yn parhau i fewnoli ein benthyca.

4.4.3 Dangosydd Pwyllog – Dyled Allanol / y Terfyn Gweithredol

	Amcangyfrif Gwreiddiol 2014/15 £m	Amcangyfrif Cyfredol 2014/15 £m
Dangosydd Pwyllog – Gofyniad Cyllido Cyfalaf		
GCC – Cronfa'r Cyngor	92,400	83,226
GCC – CRT	23,000	24,723
Cyfanswm GCC	115,400	107,949
Symudiad net yn y GCC	5,057	1,534
Dangosydd Pwyllog – Dyled Allanol/Terfyn Gweithredol		
Benthyca	120,000	89,583
Ymrwymadau tymor hir eraill	2,000	Nil
Cyfanswm Dyled 31 Mawrth	122,000	89,583

4.5 Cyfyngiadau ar Weithgareddau Benthyca

4.5.1 Yr elfen gyntaf allweddol o reolaeth dros y gweithgareddau trysorlys yw dangosydd pwyllog i sicrhau na fydd benthyca net (benthyciadau llai buddsoddiadau), dros y tymor canol, ond yn cael ei wneud i ddiben cyfalaf. Ni ddylai benthyciadau allanol net, ac eithrio yn y tymor byr, fod yn uwch na'r cyfanswm GCC yn y flwyddyn flaenorol ynghyd ag amcangyfrifon unrhyw GCC ychwanegol ar gyfer 2014/15 a'r ddwy flynedd ariannol nesaf. Mae hyn yn caniatáu peth hyblygrwydd ar gyfer benthyca buan cyfyngedig ar gyfer blynyddoedd y dyfodol. Mae'r Cyngor wedi cymeradwyo polisi o fenthyca cyn i'r angen godi a glynir wrth y polisi hwnnw os gwelir bod hynny'n ddoeth.

	Amcangyfrif Gwreiddiol 2014/15 £m	Y sefyllfa ar 30 Medi 2014 £m
Benthyca gros	115,400	89,587
Ymrwymadau tymor hir eraill	Dim	Dim
Benthyca gros	115,400	89,587
GCC (sefyllfa diwedd y flwyddyn)	115,400	d/b

4.5.2 Erbyn diwedd y flwyddyn, rhagwelir bydd y GCC yn £108m, ac, o ganlyniad, mae gofyn i fenthyca £18m. Dywed y datganiad strategaeth rheoli'r trysorlys (Adran 3.4.1) y bydd agwedd hyblyg yn cael ei mabwysiadu mewn perthynas â'r dewis rhwng benthyca mewnol ac allanol. Parheir i ddilyn y dull hwnnw o weithredu a rhoddir sylw i'r holl ffactorau a restrir yn yr adran honno. Mae'r penderfyniad i barhau i fewnoli wedi ei yrru'n bennaf gan 2 ffactor: (1) cyfyngu risg credyd i'r awdurdod (2) cyfyngu cost cario. Mae hyn yn erbyn cefndir o gyfraddau buddsoddi a chyfraddau PWLB sy'n parhau i fod yn hanesyddol o isel, gyda dim ond cynnydd graddol yn cael ei ragweld i'r tymor canol. Mae'r dull hwn o weithredu yn gyson â'r hyn a wneir gan lawer o awdurdodau lleol eraill a holwyd mewn seminarau a gweithdai y bu swyddogion cyllid yn bresennol ynddynt. Mae'r ymgynghorwyr a benodwyd ar gyfer y trysorlys hefyd wedi cefnogi'r penderfyniad i barhau i fenthyca'n fewnol ar hyn o bryd. Erbyn diwedd y flwyddyn rhagwelir y bydd benthyca allanol yn £89.583m. Rhoddir gwybod am unrhyw newidiadau i'r dull cyfredol o weithredu fel sy'n briodol.

4.5.3 Ni ragwelir anawsterau ar gyfer eleni o ran cydymffurfio gyda'r dangosydd pwylllog hwn.

4.5.4 Mae dangosydd pwylllog arall yn rheoli lefel gyffredinol y benthycyca. Hwn yw'r terfyn awdurdodedig na chaniateir benthycyca y tu draw iddo. Mae angen i Aelodau osod a diwygio'r terfyn hwn. Mae'n adlewyrchu lefel y benthycyca y gellid ei fforddio yn y tymor byr, er nad yw'n ddymunol, ond sydd ddim yn gynaliadwy yn y tymor hir. Hwn yw'r uchafswm benthycyca gyda rhywfaint o ddarpariaeth wrth gefn ar gyfer symudiadau annisgwyl. Hwn yw'r terfyn statudol a benderfynir dan Adran 3(1) Deddf Llywodraeth Leol 2003.

Terfyn awdurdodedig ar gyfer dyled allanol	Dangosydd Gwreiddiol 2014/15 (£m)	Y sefyllfa ar 30 Medi 2014 (£m)
Benthycyca	125,000	89,587
Ymrwymadau tymor hir eraill	2,000	Nil
Cyfanswm	127,000	89,587

4.6 Diwygio CRT

4.6.1 Disgwylir y bydd y trefniadau cymhorthdal CRT yn cael eu diwygio ar 31 Mawrth 2015. Mae hyn yn golygu y bydd y Cyngor yn talu arian i Lywodraeth Cymru a hynny yn ei dro, yn tynnu'r Cyngor o'r system gymhorthdal CRT. Y taliad a amcangyfrifir yw £23.9m. Bydd hyn yn cael effaith ar strwythur cyfalaf y Cyngor (oherwydd bydd y Gofyniad Cyllido Cyfalaf CRT yn codi gan faint y taliad gan Lywodraeth Cymru), a bydd angen i'r gwasanaeth rheoli trysorlys ystyried goblygiadau cyllido'r benthyciad.

5. Portffolio Buddsoddi 2014/15

5.1 Yn unol â'r Côt, blaenoriaeth y Cyngor yw sicrhau diogelwch cyfalaf a hylifedd, a chael dychweliad priodol, o'i gydbwyso yn erbyn y risg gysylltiedig. Fel sydd wedi ei nodi yn Adran 2, mae'r farchnad fuddsoddi'n anodd iawn o ran denu'r cyfraddau llog a welwyd yn gyffredin yn y degawdau a fu oherwydd bod cyfraddau'n isel iawn ac yn gyson â Chyfradd Banc 0.5%. Yn wir, mae cyflwyno'r cynllun Cyllid ar gyfer Benthycyca wedi gostwng cyfraddau buddsoddi yn y farchnad ymhellach. Mae'r posibilrwydd o ymestyn yr argyfwng dyled sofran ym mharth yr Ewro a'i effaith bosib ar fanciau yn annog strategaeth risg isel a thymor byr. O gofio'r hinsawdd yma o risg, mae dychweliadau ar fuddsoddiadau yn debygol o barhau i fod yn isel.

5.2 Roedd gan y Cyngor £18.6m o fuddsoddiadau ar 30 Medi 2014 (£9.2m ar 31 Mawrth 2014) a'r elw o'r portffolio buddsoddi am chwe mis cyntaf y flwyddyn yw 0.39%. Gellir gweld rhestr lawn o'r buddsoddiadau ar 30 Medi 2014 yn Atodiad 4. Gellir gweld crynodeb o'r buddsoddiadau a'r cyfraddau yn Atodiad 3.

5.3 Ni aethpwyd dros ben y terfynau sydd wedi eu cymeradwyo ar gyfer y Strategaeth Fuddsoddi Flynyddol yn ystod y chwe mis cyntaf 2014/15.

5.4 Swm y dychweliad y mae'r Cyngor wedi cyllidebu ar ei gyfer o ran buddsoddiad am 2014/15 yw £0.3m. Fel nodwyd yn y strategaeth, mae rhywfaint o'r benthycyca wedi cael ei fewnoli yn ystod y flwyddyn ac felly mae'r dychweliadau o'r buddsoddiadau a ragwelir yn is na'r rheini y cyllidebwyd ar eu cyfer. Fodd bynnag, bu modd gwneud arbedion o ran llog ar fenthyciadau ac mae'r canlyniad net a ragwelir o fewn y gyllideb.

5.5 Meini prawf gwrthbartïon buddsoddi

5.5.1 Mae'r meini prawf ar gyfer dewis gwrthbartïon buddsoddi ac a gymeradwywyd yn y DSRhT yn cwrdd â gofynion y swyddogaeth rheoli trysorlys er ei bod yn mynd yn anoddach i fuddsoddi arian gan fod yr ansawdd credyd yn parhau i leihau.

6. Benthycia

6.1 Gofyniad cyllido cyfalaf (GCC) y Cyngor a ragwelir ar gyfer 2014/15 yw £1.5m. Mae'r GCC yn dynodi angen sylfaenol y Cyngor i fenthycia i bwrpas cyfalaf. Os yw'r GCC yn gadarnhaol, gall y Cyngor fenthycia gan PWLB neu gan y farchnad (benthycia allanol) neu o'r balansau mewnol am gyfnod dros dro (benthycia mewnol). Mae'r cydbwysedd rhwng benthycia allanol a mewnol fel arfer yn cael ei ddylanwadu gan amgylchiadau'r farchnad. Mae'r Cyngor wedi rhagweld benthycia diwedd y flwyddyn ariannol o £89.6m ac wedi defnyddio £18m o gyllid llif arian yn lle benthycia. Mae hyn yn ffordd ddoeth a chost-effeithiol o weithredu yn yr hinsawdd economaidd sydd ohoni ond bydd angen parhau i fonitro rhag ofn y bydd yr elw o giltiau yn well na'r disgwyl.

6.2 Ceir crynodeb o'r sefyllfa benthycia yn Atodiad 3.

7. Ad-drefnu Dyledion

7.1 Ni wnaed unrhyw waith ad-drefnu dyledion yn ystod y chwe mis cyntaf 2014/15.

8. Gweithgareddau ers Chwarter Dau

8.1 Nid oes unrhyw newidiadau ers Chwarter 2.

9. Cynlluniau ar gyfer y flwyddyn nesa

9.1 Yn ei gyfarfod yn Chwefror, bydd y Pwyllgor yma yn ystyried y cynlluniau ar gyfer benthycia a buddsoddi ar gyfer y flwyddyn ariannol nesaf. Yn ôl y strategaeth cyllideb referniw cyfredol, y cynlluniau cychwynnol yw:-

- i ddefnyddio'r dyraniad benthycia gyda chefnogaeth cyffredinol sydd ar gael o £3.502m (£2.193m yn 2014/15) ynghyd ag unrhyw ddyraniad y flwyddyn gyfredol sydd heb ei ddefnyddio;
- i fenthycia, ar sail ddi-gefnogaeth, i gyllido blaenoriaethau buddsoddi cyfalaf, gan gysylltu i mewn i'r amcanion trawsnewid.

10. Argymhelliad

10.1 Ystyried cynnwys yr adroddiad, ac i gyfeirio'r adroddiad ymlaen i gyfarfod nesaf y Cyngor Sir gydag unrhyw sylwadau.

Perfformiad Economaidd hyd yma a'r rhagolygiad/ Economic performance to date and outlook**1.1 U.K.**

After strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1, 0.9% in Q2 and a first estimate of 0.7% in Q3 2014 (annual rate 3.1% in Q3), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging though the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.2% in September, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the 2013 Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far in 2014/15.

1.2 U.S.

In September, the Federal Reserve continued with its monthly \$10bn reductions in asset purchases, which started in December 2013. Asset purchases have now fallen from \$85bn to \$15bn and are expected to stop on 29th October 2014, providing the economic outlook remains strong. First quarter GDP figures for the US were depressed by exceptionally bad winter weather, but growth rebounded very strongly in Q2 to 4.6% (annualised).

The U.S. faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although the weak labour force participation rate remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions.

1.3 Eurozone

The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In September, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June to loosen monetary policy in order to promote growth. In September it took further action to cut its benchmark rate to only 0.05%, its deposit rate to -0.2% and to start a programme of purchases of corporate debt. However, it has not embarked yet on full quantitative easing (purchase of sovereign debt).

Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

1.4 China and Japan

Japan is causing considerable concern as the increase in sales tax in April has suppressed consumer expenditure and growth. In Q2 growth was -1.8% q/q and -7.1% over the previous year. The Government is hoping that this is a temporary blip.

As for China, Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has raised fresh concerns. There are also major concerns as to the creditworthiness of much bank lending to corporates and local government during the post 2008 credit expansion period and whether the bursting of a bubble in housing prices is drawing nearer.

Sylwadau ar y rhagolygon diweddaraf ar raddfeydd llog/Commentary on the latest interest rates forecasts

The Council's treasury advisers undertook a review of its interest rate forecasts on 24 October. During September and October, a further rise in geopolitical concerns, principally over Ukraine but also over the Middle East, plus fears around Ebola and an accumulation of dismal growth news in most of the ten largest economies of the world and also on the growing risk of deflation in the Eurozone, had sparked a flight from equities into safe havens like gilts and depressed PWLB rates. However, there is much volatility in rates as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2015.

Our PWLB forecasts are based around a balance of risks. However, there are potential upside risks, especially for longer term PWLB rates, as follows: -

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds and into equities.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Downside risks currently include:-

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- Fears generated by the potential impact of Ebola around the world
- UK strong economic growth is currently mainly dependent on consumer spending and the potentially unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partner - the EU, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalisation of European banks requiring more government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competitiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.

There are also increasing concerns at the reluctance of western central banks to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future). This has created potentially unstable flows of liquidity searching for yield and, therefore, heightened the potential for an increase in risks in order to get higher returns. This is a return to a similar environment to the one which led to the 2008 financial crisis.

Crynodeb Benthycyca a Buddsoddi – Chwarteroedd 1 a 2 2014/15
Borrowing and Investment Summary – Quarters 1 and 2 2014/15

	30 Medi / Sept 2014		30 Mehefin / June 2014	
	£m	%	£m	%
Benthycyca – graddfa sefydlog Borrowing – fixed rate	89.6	5.72	89.6	5.72
Benthycyca – graddfa amrywiol Borrowing – variable rate	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Adneuon – galw hyd at 30 diwrnod Deposits – Call to 30 days	18.6	0.39	19.1	0.40
Adneuon – Tymor sefydlog < 1 bl. Deposits – Fixed Term < 1 year	0.0	nil	0.0	nil
Adneuon – Tymor sefydlog 1 bl. + Deposits – Fixed Term 1 year +	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Cyfanswm Adneuon Total Deposits	18.6	0.39	19.1	0.40
Cyfartaledd Adneuon yn y Chwarter Average Deposits in the Quarter	21.2	0.43	20.3	0.50

Ni torwyd unrhyw un o'r dangosyddion trysorlys yn ystod hanner cyntaf y flwyddyn.
None of the treasury indicators were breached during the first half of the year.

Graddfeydd Credyd Gwrthbartion buddsoddi a'r adneuron a ddelir gyda phob un ar 30 Medi 2014*
Credit ratings of investment counterparties and deposits held with each as at 30 September 2014*

Grŵp Bancio/ Banking Group	Sefydliad/ Institution	Adneuron / Deposit £'000	Hyd (Galw tymor sefydlog) / Duration (Call / Fixed Term**)	Cyfnod (O/I)/ Period (From / To)	Graddfa Dychweliad/ Rate of Return %	Graddfa Tymor Hir Fitch Long Term Rating	Graddfa Tymor Byr Fitch Short Term Rating	Graddfa Tymor Hir Moody's Long Term Rating	Graddfa Tymor Byr Moody's Short Term Rating	Graddfa Tymor Hir Standard & Poor's (S&P) Long Term Rating	Graddfa Tymor Byr Standard & Poor's (S&P) Short Term Rating	Lliw Sector/Hyd Awgrymiedig/ Sector Colour / Suggested Duration
Lloyds Banking Group plc	Bank of Scotland plc	9,950	Galw/ Call	n/a	0.40	A	F1	A1	P-1	A	A-1	Glas - 12 mis/ Blue - 12 months
HSBC Holdings plc	HSBC Bank plc	703	Galw/ Call	n/a	0.25	AA-	F1+	Aa3	P-1	AA-	A-1+	Oren - 12 mis / Orange - 12months
Santander Group plc	Santander UK plc	7,499	Galw/ Call	n/a	0.40	A	F1	A2	P-1	A	A-1	Coch - 6 mis/ Red - 6 months
The Royal Bank of Scotland Group plc	The Royal Bank of Scotland plc	470	Galw/ Call	n/a	0.25	A	F1	Baa1	P-2	A-	A-2	Glas - 12 mis / Blue - 12 months

* Ceir y Rhestr Benthycy Cymeradwyedig yn Atodiad 6 o'r Datganiad Strategaeth Rheoli Trysorlys 2014/15/Strategaeth Buddsoddi Blynnyddol/The Approved Lending List can be found at Appendix 6 of the 2014/15 Treasury Management Strategy Statement / Annual Investment Strategy

** Sef tymor ar pwynt y buddsoddi/Being term at the point of investment.

- Yn Atodiad 5 ceir y graddfeydd credyd cyfatebol ar gyfer y 3 asiantaeth graddio y cyfeirir atynt uchod./The equivalent credit ratings for the 3 rating agencies referred to above can be found at Appendix 5.

**Graddfeydd Credyd Cyfatebol/
Equivalent Credit Ratings (Fitch, Moodys, S&P)**

Tymor Hir Fitch Long Term	Tymor Hir Moodys Long Term	Tymor Hir S&P Long Term
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB
BBB-	Baa3	BBB-
Tymor Byr Fitch Short Term	Tymor Byr Moodys Short Term	Tymor Byr S&P Short Term
F1+	d/b / n/a	A-1+
F1	P-1	A-1
F2	P-2	A-2
F3	P-3	A-3