

<b>CYNGOR SIR YNYS MÔN</b>	
<b>Adroddiad i</b>	<b>Pwyllgor Archwilio</b>
<b>Dyddiad</b>	<b>8 Tachwedd 2011</b>
<b>Pwnc</b>	<b>Rheoli'r Trysorlys - Ail chwarter 2011/12</b>
<b>Deilydd(ion) Portffolio</b>	<b>Y Comisiynydd Byron Davies</b>
<b>Swyddog(ion) Arweiniol</b>	<b>Pennaeth Gwasanaeth (Cyllid)</b>
<b>Swyddog Cyswllt</b>	<b>Einir Wyn Thomas (Ffôn: 2605)</b>
<b>Natur a rheswm dros adrodd</b>	
I'w ystyried - yn gyson ag arweiniad proffesiynol.	

1. Cyflwynir yr adroddiad hwn i sicrhau bod y Cyngor yn cydymffurfio â Chod Ymarfer diwygiedig ar Reoli Trysorlys a gyhoeddwyd gan y Sefydliad Siartredig Cyllid Cyhoeddus a Chyfrifeg (Cipfa) yn Tachwedd 2009 ac sy'n argymhell diweddarau aelodau ar weithgaredd rheoli trysorlys o leiaf ddwy waith y flwyddyn a gorau oll yn chwarterol. Mae'r adroddiadau wedi bod yn cael eu cyflwyno yn y gorffennol i'r Pwyllgor Gwaith neu'r Bwrdd Comisiynwyr – mae'r Comisiynwyr wedi cytuno y dylent ddod i'r Pwyllgor Archwilio fel sy'n digwydd gyda'r Adroddiadau Blynyddol.
2. Rhoes Ymgynghorwyr Trysorlys y Cyngor grynodedb o'r cefndir economaidd (Atodiad 1) ynghyd â'r rhagolygon canlynol yn fuan ar ôl diwedd y chwarter.

Sector's Interest Rate View															
	Now	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Sector's Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%
5yr PWLB Rate	2.41%	2.30%	2.30%	2.30%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.10%	3.30%	3.50%	3.70%
10yr PWLB Rate	3.46%	3.30%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%
25yr PWLB Rate	4.31%	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%
50yr PWLB Rate	4.42%	4.30%	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%

Mae'r sector wedi adolygu eu rhagolygon cyfraddau llog o ganlyniad i ddau ddogwyddiad mawr:-

- (i) Penderfyniad y Pwyllgor Polisi Ariannol i ymestyn trefniadau lliniaru meintiol dros y pedwar mis nesaf gan £75bn ychwanegol a wthiodd elwau o giltiau i lawr ar unwaith ar ben hir y gromlin. Mae'n tanlinellu'n glir hefyd pa mor bryderus yw'r Pwyllgor Polisi Ariannol ynghylch y rhagolygon ar gyfer twf economi'r Deyrnas Gyfunol a bod y dirwasgiad yn achosi llawer mwy o bryder bellach na chwyddiant.
- (ii) Dirywiad amlwg o ran rhagolygon twf yn yr Unol Daleithiau, yr Undeb Ewropeaidd a'r Deyrnas Gyfunol, yn arbennig felly oherwydd pryder cynyddol yng Ngroeg a'r canlyniadau posib yn sgil dyled y wlad honno. Yn ei dro, mae hyn wedi arwain at gynnydd yn y llif arian i giltiau yn y Deyrnas Gyfunol fel lle ddiogel ar gyfer arian ers y rhagolygon cyfraddau llog diwethaf gan y sector (16.8.11) sydd wedi gwthio elw o giltiau a chyfraddau PWLB i lawr i lefelau sydd hyd yn oed yn is.

Roedd y datblygiadau hyn yn golygu bod rhagolygon tymor byr ar gyfer cyfraddau PWLB yn anghyson gyda'r cyfraddau gwirioneddol. Yn ogystal, mae disgwyliadau wedi newid o ran pa bryd y gwelir y gyfradd banc ac elw o giltiau yn codi ac o ran amseriad cynnydd mewn cyfraddau PWLB – maent yn disgwyl bellach y bydd hynny'n digwydd yn hwyrach nag a dybiwyd yn wreiddiol.

Dylid trin y rhagolygon hyn yn ofalus oherwydd bod y Sector yn prysuro i ddweud bod cyfraddau PWLB yn anodd i'w darogan, fel sy'n wir am elw o fondiau gan bod y farchnad yn anwadal iawn ar hyn o bryd ac mae cyswllt agos iawn rhwng hynny a datblygiadau gwleidyddol (neu ddiffyg datblygiadau o'r fath) yn yr argyfwng dyled sofran.

3. Ar ddechrau'r flwyddyn, roedd y cyfan o bortffolio benthycia'r Cyngor o'r PWLB ac roedd £4.9m yn fwy na'r Gofyniad Cyllido Cyfalaf (GCC). Gyda benthyciad o £6.5m yn dod i ben yn fuan, ac angen benthycia o £5.8m, roeddem yn disgwyl benthycia £5 – 7.5m eleni gan anelu at fenthycia yn unol â'r targed GCC ar ddiwedd y flwyddyn. Oherwydd bod amodau'r farchnad yn

dirwyio byddwn yn ystyried mewnoli'r swm hwnnw.

Mae'r tabl isod yn dangos y sefyllfa ar gychwyn ac ar ddiwedd y chwarter.

	30 Medi 2011		30 Mehefin 2011	
	£m	%	£m	%
Benthyca – cyfradd sefydlog	102.6	5.31	102.6	5.31
Benthyca – cyfradd amrywiol	Nil	-	Nil	-
Adneuon – Ar gael i 30 diwrnod	10.4	0.83	14.3	0.81
Adneuon – Cyfnod Sefydlog < 1 blwyddyn	25.0	1.24	25.0	1.27
Adneuon – Cyfnod Sefydlog 1 blwyddyn +	Nil	-	Nil	-
Cyfanswm yr Adneuon	35.4	1.12	39.3	1.09
Yr Adneuon ar gyfartaledd yn y Chwarter	39.7	-	43.3	-

Yn ystod y cyfnod, nid aeddfedodd unrhyw fuddsoddiadau ac ni wnaed unrhyw fuddsoddiadau newydd.

4. Yn ystod y chwarter, bu modd i'r Cyngor gadw o fewn ei Gyfyngiadau Pwyllog (Atodiad 2). Yn ogystal, cadwodd o fewn ei gyfyngiadau buddsoddi.
5. 'Roedd cyllideb y Cyngor ar gyfer eleni yn cynnwys darpariaeth referniw ar gyfer posibilrwydd o fenthyca digefnogaeth. Mae'n bosib y bydd gan LIC gynllun tebyg. Bydd gofyn i'r Cyngor Sir gymeradwyo unrhyw angen i gael benthyg rhagor o arian.
6. Y cynlluniau ar gyfer gweddill y flwyddyn yw:
  - Parhau i fuddsoddi balansau sy'n weddill mewn modd sy'n sicrhau diogelwch ynghyd â hylifedd;
  - Yn amodol ar adolygu trefniadau mewnoli/allanoli, cymryd benthyg ar adeg briodol, gan anelu at fod ar GCC erbyn diwedd y flwyddyn;
  - Ymateb i gynlluniau posib ar gyfer defnyddio benthyca digefnogaeth neu gymorth benthyca unwaith ac am byth;
  - Monitro'r farchnad fel y gellir aildrefnu ar adeg briodol os daw cyfleon ar gael.

## 7. ARGYMHELLIAD

Ystyried cynnwys yr adroddiad.

**EINIR WYN THOMAS - PENNAETH GWASANAETH (CYLLID)**  
**31 HYDREF 2011**

## Rhagolygon Economaidd / Economic Projections

- Indicators suggest that the economy has at best stagnated;
- Conditions on the high street have deteriorated further;
- Employment has fallen again;
- The public finances are expected to miss this year's fiscal forecasts;
- CPI inflation rising, heading for a peak of around 5% in Q4;
- The Monetary Policy Committee signals a move towards increasing QE;
- Equities prices plummet and gilt yields fall to historic lows;
- The economic recoveries falter in the US and Europe.

Activity indicators suggest that the economic recovery has ground to a halt. Indeed, the weighted output balance of the CIPS/Markit surveys fell in August to a level that has been consistent with contraction in the past. The surveys also exclude retail activity – and the latest news from the high street suggests that the sector is in a similar position. While sales volumes rose by 0.2% m/m in July, they fell by the same amount in August.

However, output for the first quarter was depressed by a variety of factors (including the one-off Bank Holiday for the Royal Wedding in April and the after-effects of the Japanese earthquake), so the economy might still register growth in the second quarter.

Meanwhile, the fading of the economic recovery has impacted on the job market. The Labour Force Survey measure of employment fell by 70,000 in the three months to July, the first fall this year. And the ILO measure of unemployment rose by 80,000 over the same period – the largest rise in two years. The timelier (but narrower) claimant count measure also rose by a monthly 33,700 in July and 20,300 in August. The pace of job losses across the whole economy looks unlikely to ease off in the coming months. Job vacancies in the three months to August were 1.3% lower than a quarter ago, while the employment balances of all three of the CIPS surveys were below the 50-mark in July and August (below 50 marks a contraction in expectations).

Meanwhile, the public finances are on track to miss this year's fiscal forecasts. If the trend in borrowing seen over the first five months of the fiscal year continues, it will be around £5bn higher than the OBR expects. Admittedly, the full impact of some tax changes have yet to be felt, but the lags between developments in the economy and the public finances suggest that the recent slowdown is unlikely to have had its full effect on receipts.

Conditions in the housing market have also continued to deteriorate. Whilst the number of mortgage approvals for new house purchase rose from 48,800 in June to 52,400 in August, this has not prevented renewed falls in house prices. The Nationwide index ended the second quarter 0.2% lower than at the end of the first.

The trade in goods and services deficit was £4.5bn in July, compared to an average

monthly deficit of £3.8bn in Q1. The survey measures of export orders also point to falls in exports ahead – the new export orders balance of the CIPS Manufacturing survey, for example, fell to its lowest level since May 2009 in September. At that level, it points to a quarterly drop in the volume of manufactured goods exports of around 5%.

Inflation continued to climb in the second quarter. CPI inflation rose from 4.2% in June to 4.4% in July and 4.5% in August. A series of rises in electricity and gas prices also took effect in late August and September which, together with a rise in food inflation reflecting past rises in agricultural commodity prices, could push inflation close to 5% in September.

Inflation may creep a little higher in the third quarter – but recent developments suggest that it should fall quite sharply next year. Oil prices fell from \$113 per barrel at the end of Q1 to \$106 at the end of Q2. Agricultural prices also fell over the past quarter. Surveys of manufacturers pricing intentions in Q2 also pointed to a fall in producer output price inflation ahead. Meanwhile, the continued weakness of the broad money supply and lending data in Q2 and the persistence of a large degree of spare capacity in the economy also suggest that inflation will fall sharply in 2012.

Measures of inflation expectations have drifted up – the Bank of England's measure of households' inflation expectations in the year ahead rose from 3.9% to 4.2% in Q2. However with conditions in the labour market continuing to deteriorate, these expectations seem unlikely to become ingrained. The annual rate of average earnings growth including bonuses fell from 3.1% to 2.9% in July (the rate excluding bonuses fell from 2.2% to 1.7%). Real pay growth has thus remained negative.

Meanwhile, the MPC became distinctly more dovish during Q2. Spencer Dale and Martin Weale both abandoned their votes for a rate hike at the meeting in August. The minutes of September's meeting also suggested that QE2 will be launched soon, although, no other members have yet joined Adam Posen in voting for more QE. Most have however accepted that the case for policy stimulus has significantly strengthened and that "a continuation of the conditions seen over the past month would probably be sufficient to justify an expansion of the asset purchase programme at a subsequent meeting."

Financial market sentiment deteriorated sharply in the second quarter, reflecting declining prospects for economic growth and renewed risk aversion as a result of the intensification of the euro-zone sovereign debt crisis. The FTSE 100 finished the quarter at 5,128 – about 14% lower than its level at the end of the first quarter. Ten year gilt yields plummeted from 3.38% to 2.43%, reflecting falling interest rate expectations, safe-haven flows as a result of a perceived rise in default risk on sovereign debt in the euro-zone and perhaps expectations that further QE might soon be on the way. Meanwhile, a global shift away from risk saw the dollar strengthen. As a result, sterling weakened against the dollar from about \$1.60 to \$1.56, but strengthened slightly against the euro from €1.16 to €1.10.

In the US, economic data was weak, but a little stronger than in the UK. The US ISM indices pointed to annualised quarterly GDP growth of around 1.5% in July and August. Growth in payrolls also stagnated in August. And while President Obama proposed a \$450bn job creation bill, equivalent to nearly 3% of GDP, it seems unlikely to be passed by Congress in full.

Growth has also slowed sharply in the euro-zone. In particular, the ECB composite

PMI now pointed to outright falls in GDP in August. A steep drop in the EC Economic Sentiment Indicator in August also left the index consistent with a sharp slowdown in annual GDP growth in the region.

***Allan o gyngor gan / From advice from SECTOR Ltd***

**Dangosyddion Pwyllog – Chwarter 2 2011/12**

<b>Dangosydd Pwyllog</b>	<b>Dangosydd 2011/12 £m</b>	<b>Gwirioneddol Chwarter 2 £m</b>
Gofyniad Cyllido Cyfalaf (GCC)	102.6	n/a
Benthyca gros	102.6	102.6
Buddsoddiadau	n/a	35.4
Benthyca net	n/a	67.2
Terfyn awdurdodedig am ddyled allanol	112	O fewn y terfyn
Ffin gweithredol am ddyled allanol	107	O fewn y terfyn
Terfyn graddfeydd llog sefydlog yn seiliedig ar ddyled net	100	O fewn y terfyn
Terfyn graddfeydd llog amrywiol yn seiliedig ar ddyled net	20	Dim
Prifysymiau buddsoddwyd > 364 diwrnod	15	Dim
Strwythur aeddfedu am derfynau benthyca		
O dan 12 mis	<20%	6%
12 mis i 2 flynedd	<20%	0%
2 flynedd i 5 mlynedd	<50%	6%
5 mlynedd i 10 mlynedd	<75%	19%
10 mlynedd a throsodd	25% - 100%	68%