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I welcome the Business, Energy and Industrial Strategy Committee's inquiry into regional investment and growth. I am writing to inform the Committee of today's publication of a new research report commissioned by the Department for Business, Energy and Industrial Strategy (BEIS) on regional equity finance provision, which will doubtless be of interest to the Committee.

This research was led by Nick Wilson and Marek Kacer from Leeds University Business School, and examines regional variations in the supply of, and demand for, equity finance across the UK.

Previous research had shown that the vast majority of UK venture capital and business angel activity is concentrated in London and the South East, accounting for 70% of all equity finance invested in the UK, even though only around a third of the UK's high-growth businesses are based in this region. BEIS therefore commissioned new research to better understand the disparities, the nature and extent of any market failures that may exist around the demand for and supply of equity finance and what the solutions might be.

The research estimates the potential SME 'equity finance gap' for the whole of the UK at £10.5bn (per year) for 2017. All areas of the UK had an equity finance gap in 2017 – including London. The British Business Bank are already very active in addressing the finance gap, so without this and growth in private equity funding seen in recent years, the gap would be much bigger.

I hope the research is of interest to the Committee. I include a copy of this research and will make it available to members through placing the paper in the Libraries of the House along with a copy of this letter

**Rt Hon Lord Henley**