

The Labour Party chooses its next Leader

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Keir Starmer resigns - What happens next?

By Sam Tankard, Associate Director

At the lectern outside No.10 Downing Street this morning - an image we have become all too used to this decade - the Prime Minister resigned as leader of the Labour party. Starmer confirmed he has asked the party's ruling National Executive Committee to find a new leader and that he would not take part in any contest, noting he would give his full support to his successor. This marks a notable change in his resolute tone over recent weeks that he would fight any challenge.

The timetable is short. Nominations will open on 9 July and conclude by summer recess. The backing of 81 MPs is required to be on the ballot. The NEC will then chart a timetable to allow members and affiliates to vote over the summer. A new Prime Minister will be in place before parliament returns in early September. If there is only one candidate, however, there will be a new Prime Minister next month. With Andy Burnham on course to secure the nomination of nearly 300 MPs, the prospect of a Burnham coronation looks most likely.

Despite spending much of the last month pushing for a contest and a "battle of ideas" since resigning as Health Secretary, Wes Streeting has immediately rowed in behind Burnham's momentum.

Many allies of Keir Starmer, such as Steve Reed and Rachel Reeves, will now be considering their own political futures. Will the Labour right seek to rally around Darren Jones or a similar figure to at least challenge Burnham? Meanwhile, other prominent Labour figures from the party's soft left caucus, such as Angela Rayner, have already ruled themselves out or coalesced around Burnham.

With the former Greater Manchester Mayor the favourite to take the keys to No. 10 in short order, we take a look at what his policy positions are likely to mean for a future government - even if they are far from fully formed at this stage.

What is the outlook for tax and spend under a Burnham-led government?

By GK's Head of Policy, Hugo Tuckett

As the leading contender to replace Starmer, scrutiny of Burnham's public spending commitments has grown in recent weeks. Burnham sought to navigate and strike a balance between the competing interests of local and national policy objectives throughout the by-election campaign. Most notably, Burnham had to stress his commitment to the government's fiscal rules after previously arguing that Britain should not be in "hock" to the bond market to maintain fiscal credibility. He has similarly had to row back on other spending commitments, including fully compensating the Women Against State Pension Inequality campaign.

In the longer term, Burnham has signalled his desire to introduce more significant changes to public spending with the aim of bringing about greater public control of key utilities in energy and water. Burnham has said he wants to see "the essentials of life being run primarily for the public interest, not for private interests". This would involve undoing the "privatisation premium", according to a policy paper titled *The Productive State*, published by Mainstream; a soft-left Labour group close to Burnham. He is being closely advised by Miatta Fahnbulleh MP, who argues for a framework of greater state intervention to protect the public from rising costs, rather than fully fledged renationalisation.

Burnham's commitment to the current fiscal rules and Labour's existing manifesto commitments is likely to limit his room for manoeuvre in the near term. Recent statements by the new Makerfield MP indicate that he would stick to Rachel Reeves' fiscal rules should he become Prime Minister and abide by Labour's manifesto commitments not to raise income tax, national insurance or VAT, in an attempt to calm the international bond markets. To that end, he has brought on board Andy Haldane, former Bank of England Chief Economist; Richard Hughes, former Chair of the Office for Budget Responsibility; and Jim O'Neill, the crossbench peer and former minister who worked on George Osborne's "Northern Powerhouse". However, these tax commitments will similarly constrain any spending plans the prospective Prime Minister might hope to pursue.

What is apparent, though, is that Burnham has ambitions for much more radical changes to the tax landscape, including amending the income tax system and pursuing fundamental reform of property taxation. He has previously suggested introducing a 10% "starting rate" of tax for low earners and raising the top level of income tax to 50%. Burnham has not yet specified when the starting rate would kick in or at what income level the 50% rate would be set. On property taxation, he has argued in favour of replacing council tax with a form of land value tax, which would see high-value properties in London and the South East pay more, while lower-value properties in the north of England would see a tax cut.

For the Metro Mayor who, for the last 10 years, has benefitted from being able to spend money on flagship projects such as the new bus network and city centre investment in Manchester, the same challenges that faced Starmer and Reeves will likely curtail much of Burnham's flexibility on public spending.

Sector analysis

Health & Social Care

GK's Strategic Adviser Phil Hope was Care Minister when Andy Burnham was Health Secretary and knows his thinking well. Phil Hope suggests many of the principles of the 2010 Social Care White Paper will be revived and suspects that social care will likely feature as a much bigger part of a Burnham premiership. Burnham has driven the Health Devolution Commission and created a Deputy Mayor for Health who will also oversee the Integrated Care Board. Phil Hope suspects Burnham will likely take forward what has worked well in Manchester - the LiveWell programme, which takes a more preventative approach to the workforce and the links between welfare, health and work - and apply that across the UK.

The question of funding is the obvious one. In the three remaining years until the next election, Burnham will likely focus on laying the groundwork to create a care system that is free at the point of use. To do so, Phil Hope expects him to accelerate the Casey Commission to identify options to move in that direction. Phil suggests this could take many forms, likely charting a pathway to fairness and affordability by looking at free re-enablement care or free home care to begin with. Burnham might also look at changing eligibility thresholds so that the poorest people benefit and in line with his redistributive priorities. Phil suspects that much of this could be driven by a Minister for Social Care attending Cabinet.

Education

Reforming the education system to place greater emphasis on technical education routes over university study is likely to be a core focus of a potential Burnham-led government. In his role as Mayor of Greater Manchester, Andy Burnham repeatedly argued that university had been "overpromoted" by successive governments and that the education system needed to deliver parity of esteem between academic and technical routes.

The Manchester Baccalaureate (MBacc) is Burnham's flagship policy legacy in Greater Manchester that he is likely to expand in some form on a national basis should he become Prime Minister. The MBacc is a long-term programme to transform technical education in the Manchester region to create "a genuine alternative to the traditional university route". It aims to provide every young person with a clear pathway to employment opportunities in Greater Manchester's high-growth sectors through a combination of careers advice services, work experience placements and technical qualifications, including expanded access to T Levels and apprenticeships.

With the current government already progressing reforms to post-16 study, including through the roll-out of T Levels and new V Levels from September 2027, which will expand technical and vocational study routes, a Burnham-led government is likely to place much greater political emphasis on these changes and seek to accelerate their introduction where possible.

Aligned with his broader objective of devolving more power away from Westminster, we can expect Burnham to pursue policy interventions that will give local leaders a greater role in shaping local skills provision in their areas. The government has already legislated - through the English Devolution and Community Empowerment Act - to establish new strategic authorities and grant local leaders' new powers over health, planning and transport. A Burnham-led government is likely to double down on this agenda, seeking to devolve further powers over skills to local leaders whom he will see as better able to shape provision in their areas to meet the demands of local economies and address the rising number of young people not in education, employment or training (NEET).

Defence and Security

The departure of Defence Secretary John Healey last week, unhappy at the lack of funding to support the Defence Investment Plan, was a final example of the Keir Starmer's weakened position. It will have played an important part in his ultimate haemorrhaging of power.

Defence and security matter. The public are more alive to these issues than ever before, with war and aggression from Russia in Europe, a migration crisis caused by conflict and instability, and the recent closing of the Strait of Hormuz having an immediate impact on the cost of goods and fuel. Burnham made clear last week that a 10-year defence, security and public procurement plan is needed to help the UK achieve its long-term target of spending three per cent of GDP on defence. The Ministry of Defence has a funding gap of £28bn over the next four years, and any new Prime Minister will face the same economic challenges alongside commitments to the Armed Forces and national security.

Burnham also stated he is "not at all squeamish" about cutting the welfare bill to support defence spending. He has suggested that the government should relax its fiscal rules to fund the defence budget through increased state borrowing, as has happened in Germany. Defence is not only the Prime Minister's first duty, but also very much the mainstay of the role. The next Prime Minister will very quickly be surrounded by the challenges of defence, security and foreign policy, alongside the significant challenge of funding them.

Energy & Net Zero

Burnham has used his time as Mayor of Greater Manchester to remain a supporter of net zero and accelerated decarbonisation, with Greater Manchester adopting a carbon-neutral target of 2038 - 12 years ahead of the UK's statutory 2050 target. The Local Net Zero Accelerator programme in Greater Manchester champions the role that cities and city leaders have in delivering net zero. Greater Manchester was also the first city region to develop Local Area Energy Plans across all boroughs, further signalling its commitment to place-based energy policy.

Of course, Burnham's flagship Bee Network and his commitment to fully revive HS2 demonstrates his conviction that transport decarbonisation is a core part of the net zero transition. This extent of devolution does run slightly at odds with Energy Secretary Ed Miliband, who is a firm believer in Whitehall and its ability to know what is best, rather than regional devolved authorities.

Where he and Miliband do align is on the principle of greater "public control" of utilities, including energy. This will likely see GB Energy strengthened as Burnham seeks to boost local and public stakes in utilities, alongside greater public ownership of strategic infrastructure.

Despite this, Burnham remains open to the idea of more oil and gas licences in the North Sea. Not only is he sympathetic to union jobs in the sector - support he may need should there be a leadership contest - but he also believes it is politically wise to demonstrate that the UK is making use of its own resources. This is another area of tension with Burnham's close ally in the Department for Energy Security and Net Zero.

Food, Farming & Agriculture

As a politician whose experience has largely been shaped by urban and regional government, Burnham has not developed an extensive policy platform on agriculture. Labour has historically had a strained relationship with the agricultural sector and rural communities, and Starmer's tenure as Prime Minister has not meaningfully changed this perception.

The Department for Environment, Food and Rural Affairs is now on its second ministerial team and third farming minister. A Burnham-led government is likely to lead to yet another reshuffling of the deck at Defra, meaning that already slow progress towards publishing the 25 Year Farming Roadmap and the implementation plans for the Food Strategy and Land-Use Framework may slip even further.

Contact Information

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