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Exclusive: The consulting firm and the Meals on Wheels millions

The acting auditor-general is considering an investigation into contracts awarded to a private firm following complications over a tech upgrade for the Meals on Wheels service. By *Rick Morton*.

A private consulting firm handed almost \$10 million in aged-care contracts has left providers and the federal government embarrassed after it disabled websites built with taxpayer money, delivered a 13-page final report and issued legal threats.

The saga of Miles Morgan Australia's involvement in the "Future Fit" turnaround project for Meals on Wheels is emblematic of a broader crisis in aged care, where departmental officials and ministers throw money at the private sector hoping to fix a social problem.

It is also a cautionary tale in contract management that has earned the attention of the acting auditor-general, Rona Mellor.

Miles Morgan Australia (MMA) is a boutique consulting and research services firm that was owned and operated out of Western Australia from 2012 by Barbara Macnish, a signatory to the first two contracts under the Future Fit program alongside her then chief executive officer, Lakshman Gunaratnam, a former Deloitte Australia partner.

Macnish sold the business to Gunaratnam just days after the second contract was signed in December 2022 and he took control as sole director four days before Christmas that year.

Together with former Labor adviser Loire Hunter, Gunaratnam owns the company through another vehicle, Leveraged Pty Ltd.

Miles Morgan Australia's involvement with Meals on Wheels began in May 2021, when the Morrison government announced changes to the Commonwealth Home Support Program that would eventually combine lower-level care with more intensive care in a new category called the Support at Home Program.

Meals on Wheels Australia was approached by MMA with the offer of pro bono advice and the two outfits worked together on a business transformation funding proposal for the national peak body of Meals on Wheels providers. Meals on Wheels Australia had asked the Department of Health and Aged Care for \$5.5 million.

The government approved but, without the knowledge of Meals on Wheels Australia, the department recommended to then aged care services minister Richard Colbeck that it should give the money directly to MMA because it had already been working with the meals network, had "a deep understanding" of the needs and a "strong working relationship with the Department".

"This puts MMA in a unique position to deliver on the Department's requirements," the submission prepared for Colbeck says.

"This procurement was through a direct approach (one supplier) of MMA under an existing panel arrangement."

Despite this plain fact in the ministerial submission, which was not public information until it was ordered to be tabled in the senate by Greens Senator Janet Rice, the contract notice for the \$5.5 million first phase of MMA work still states the process was conducted as an "open tender".

That contract was later revised up to more than \$7 million. *The Saturday Paper* is not suggesting that MMA or any of its directors have acted improperly in discharging their obligations under the federal government contract.

Within months of winning the contract, MMA decided Meals on Wheels Australia did not have the "capability" for the transformation work and the national body was sidelined. Instead, some state associations were chosen to participate.

"By July 2022 it was clear that MOWA did not have the required operational capability to engage directly with [Meals on Wheels] services, to implement Future Fit initiatives, nor manage operational software," the Miles Morgan final report says. "NSW and QLD state associations agreed. Attempts were then made to work with the state associations directly, which enabled increased, direct contact with services."

"However, by 29 March 2023, South Australia, Tasmania and the NSW state association had opted out of Future Fit. Noting as at 8 September 2023 Tasmania has to [sic] re-joined following changes to their board and management team."

By many accounts, MMA went to war with those who did not support the transformation initiative.

In a September 2023 submission to the parliamentary inquiry into the integrity of consulting services, Meals on Wheels Victoria state manager Alina Tooley said the mission to bring services together in a "unified" national network was being undercut by MMA.

"Rather than stabilising and modernising the network, MMA are creating more work for an already overworked sector, and causing confusion, disharmony and angst," the submission says. "The national meals network is now less stable than prior to the commencement of Future Fit."

In its own final report, MMA singled out Meals on Wheels Victoria for its "multi-year campaign ... to prosecute the problem, raise community fears and failure to offer a solution".

As local councils increasingly look to get out of running Meals on Wheels services themselves, enormous gaps have emerged in a crucial but poorly funded segment of the aged-care sector.

In March last year, Aged Care Minister Anika Wells announced a \$2.2 million pilot program through Meals on Wheels Newcastle and the Queensland body to take over the services vacated by Whitehorse and Ballarat local councils in Victoria. The funding was made through Future Fit, she announced.

Meals on Wheels Victoria was not approached to run the service.

Correspondence between Gunaratnam and health department secretary Russell Herald, who is the departmental signatory on the MMA contracts, confirms the consulting firm was deeply involved in the Whitehorse transition from July last year, right down to the details of the menu cycle, although MMA is not an accredited provider of home support services.

"How are we going with PDF's of the fortnightly menus?" Herald asked MMA in October. "Any chance by tomorrow."

Herald, in his capacity as the contract owner and with aged-care policy responsibility for home support, has worked closely with MMA. In turn the consultancy has worked with an existing aged-care company, Polixen, which has long offered a desktop customer resource management (CRM) tool designed specifically for Meals on Wheels providers.

The vast majority of Meals on Wheels services in MMA's own surveys said they used Polixen software to manage clients' resources, delivery routes and rosters.

In the second official work order signed by Gunaratnam and Herald, MMA is required to "build a replacement CRM" for Meals on Wheels providers between 2021 and 2023.

To do this, MMA first subcontracted a Canberra firm named Agile Digital but relations broke down and MMA stopped paying for its services. Some work on the CRM had been done and MMA allegedly took this to a new company named GoSource. A contract between the two was developed in November last year and GoSource delivered on its end of the agreement within weeks. Due to an ongoing IP dispute, however, it has not been able to be used.

The Saturday Paper has learnt Agile Digital has issued intellectual property claims against MMA for allegedly using its initial CRM work in subsequent development and all work has stopped.

Despite longstanding issues and cost overruns, the Department of Health and Aged Care issued yet another contract for \$1.6 million to MMA in February this year. In Senate estimates hearings that same month, Russell Herald said the department was "aware of one instance where Miles Morgan Australia had a contract dispute with another entity and exchanged legal letters associated with the delivery of milestones".

Herald told parliament that dispute had been resolved. It is not clear if the dispute with Agile Digital is the same matter, or a new disagreement with a different subcontractor.

Although officials declared at the time the Commonwealth owned the intellectual property relating to the CRM software development, Herald later clarified it was founded on "base technology" owned by another entity and there were "ongoing discussions" about whether this would need to be licensed in perpetuity.

As for the rest of the IP, Herald says it "will be transferred to another entity at the appropriate point".

"That entity would be subject to negotiation with the Meals on Wheels network," he said.

It is not clear where that IP has since been transferred although Lakshman Gunaratnam has himself suggested it was given to Miles Morgan Australia and it was subsequently

"gifted" to a new entity he established named the Future Fit Collective Limited, which is now controlled by four directors who are all chief executives of separate Meals on Wheels NSW services.

According to ASIC records, Lakshman Gunaratnam stepped down as director of the collective in February.

A spokesperson for the Department of Health and Aged Care told *The Saturday Paper*: "In line with the terms and conditions of the MMA contracts, the department is of the view that the Commonwealth owns the intellectual property in the contract material created under them. However, the department is currently investigating conflicting claims for intellectual property ownership."

In March, all websites established under the Future Fit and Future Fit Collective banners were removed from public view. The former is gone altogether while the Future Fit Collective website is now password protected. The department says the Future Fit website was "decommissioned" and any other websites were not part of the contract "and not the responsibility of the Commonwealth".

Relationships have broken down throughout the Future Fit saga. Newcastle Meals on Wheels reasserted control of its affairs and was hit with legal demands from Miles Morgan Australia.

In an extraordinary escalation of tensions, Russell Herald also revealed the department had received a legal demand from MMA two hours before officials gave evidence at the Senate hearing on February 15. MMA urged the government to be more cautious in responding to freedom of information requests.

"The department received a letter about two hours ago requesting that the department be more – how do I describe this?" Herald asked his deputy secretary Michael Lye.

Lye responded: "Circumspect."

Herald continued: "Circumspect in the way in which our department engages with them in relation to freedom of information requests lodged by members of the Meals on Wheels network."

Acting Auditor-General Rona Mellor wrote to Greens senators Janet Rice and Penny Allman-Payne at the end of last month to inform them she had made inquiries with the Department of Health and Aged Care and was now developing a "proposed audit topic" for inclusion in its 2024-25 program of work.

"It is unclear if MMA has fulfilled the key objectives of its contract with DHAC and how a total of almost \$11 million [their figure] of government funding for the Future Fit program has been spent," the senators wrote to the Australian National Audit Office in late March. "We therefore ask you to consider undertaking an audit of MMA's contract performance and DHAC's management of the Future Fit project, including potentially allowing a non-CHSP approved entity to service vulnerable clients in the Whitehorse pilot program."

The Saturday Paper sent Lakshman Gunaratnam a detailed list of questions, which he did not answer. Instead, he responded with 29 of his own questions, with sub-clauses, in a 2565-word email he claimed was "in confidence without prejudice".

Senator Allman-Payne told *The Saturday Paper* she will continue to interrogate the contract in Senate estimates next month.

"This case is a particularly concerning illustration of what can go wrong when governments rely too heavily on for-profit consultants, and seems to be consuming an outsized amount of taxpayer money for the return," she said.

"We need to unwind the privatisation disaster and properly invest in aged care so that every older Australian can get the care and support they need."

This article was modified on May 20, 2024, to clarify that GoSource delivered a working software product to MMA.

This article was first published in the print edition of The Saturday Paper on May 18, 2024 as "The consultant and the millions".